# CALIFORNIA TRANSPORTATION COMMISSION

# 2004 ANNUAL REPORT
# TO THE
# CALIFORNIA LEGISLATURE

**Adopted**

**December 9, 2004**

**Contributing Staff**

Diane C. Eidam, Executive Director
David W. Brewer, Chief Deputy Director
Robert Chung, Deputy Director
Stephen Maller, Deputy Director
Annette Gilbertson, Assistant Deputy Director
Kathie Jacobs, Assistant Deputy Director

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# A Message from the Chair

Dear Members of the Legislature:

I am pleased to submit to you the California Transportation Commission's annual report to the Legislature for 2004. State law mandates that the Commission report to you each year identifying timely and relevant transportation issues facing the state and summarizing the Commission's major policy decisions in the past year. The law also mandates that our report summarize the impact of loans from transportation funds to the General Fund.

This year, we must report to you that the state transportation program stands at a crossroads. Our highways are growing ever more congested and our aging road and transit system infrastructure is deteriorating. While our needs for transportation infrastructure expansion and repair are expanding geometrically, we have been reducing our investment to meet these transportation needs dramatically.

This failure to invest in transportation is jeopardizing the future of California's economy, reducing the mobility of both people and goods. It is reducing productivity, increasing user costs, increasing system operating and maintenance costs, and leading to the loss of jobs. In this year alone, the construction work being held back for lack of funding will mean the loss of well over 50,000 jobs.

An effective transportation program requires stable and reliable resources because it usually takes several years of planning, design, and right-of-way work to make a transportation project ready for construction. Until just five years ago, we had a stable program, funded primarily from user fees that were protected by the California Constitution. Today, however, we have a highly unstable program, built primarily on the promise of motor fuel sales tax revenues—revenues that have been held back for each of the last four years to meet General Fund needs. This reliance on funds that may be (and consistently have been) suddenly withdrawn has brought the state transportation program to a breaking point.

We cannot continue to base our planning and project development on resources that never materialize. The viability of the entire program is at stake. This year, the Commission will be adopting the fund estimate for the 2006 State Transportation Improvement Program (STIP), which will plan resource investments through 2010-11. Over $3.6 billion, most of the funding for the STIP, now hinges on the decisions to be made by the Governor and Legislature on the Proposition 42 transfer for 2005-06 and on guarantees for future transportation funding. Without this funding, the Commission will be faced with the prospect of deleting many, perhaps most, projects from the current program.

California's voters have spoken on the importance of funding transportation. In March 2002, Proposition 42 was approved by more than 69% of the voters. In November 2004, voters in seven counties approved local sales tax measures for transportation, each by more than the required ⅔ vote.

The Commission looks forward to working with you and the Administration on reconciling the need for dedicated and reliable transportation funding with the need to resolve the State's ongoing structural budget deficit.

Sincerely,

Bob Balgenorth, Chair
California Transportation Commission

## The Commission in Brief

The California Transportation Commission is created under state law, charged primarily with responsibility for making project specific and location specific decisions in the programming and allocation of state transportation funds. It is also charged to advise and assist the Secretary of the Business, Transportation and Housing Agency and the Legislature in formulating and evaluating state policies and plans for transportation programs. The Commission is independent of the Department of Transportation and does not have authority or responsibility for the Department's operations or its budget.

The Commission consists of eleven members, with nine members appointed to staggered four-year terms by the Governor with the advice and consent of the Senate. There are two non-voting ex-officio members appointed from the Senate and the Assembly, usually the chairs of the Senate and Assembly transportation policy committees. The nine public members may not simultaneously hold an elected public office or serve on any local or regional board or commission with business before the Commission. They are appointed to assure a geographic balance, with members from both the north and the south and from both urban and rural areas of the state.

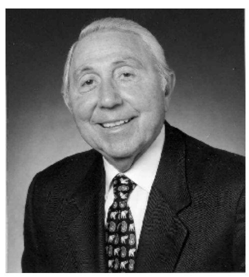
The Commission conducts its business in open meetings. Among its functions, it approves project-specific allocations of appropriated funds, and it adopts the biennial state transportation improvement program (STIP), the five-year plan for project allocations. In consultation with the Department and regional agencies, the Commission adopts procedures for carrying out its responsibilities, including the adoption of the biennial STIP fund estimate and the adoption of STIP guidelines.

The Commission is required each year to submit to the Legislature an annual report summarizing the decisions allocating transportation funds and identifying timely and relevant transportation issues facing the State of California. The annual report is also required to include a summary and discussion of loans and transfers between transportation funds and the General Fund, as well as their impact on cash flow and project delivery. This report is intended to fulfill that commitment to the Legislature.

# The Commissioners

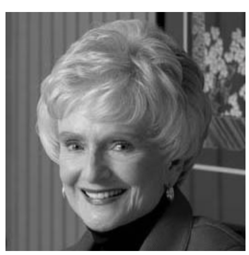
## Mr. Bob Balgenorth, Chair

Mr. Balgenorth, of Folsom, has served as the President of the State Building and Construction Trades Council of California, AFL-CIO, since 1993. Prior to that, he was the Business Manager and Financial Secretary of Local #441 of the International Brotherhood of Electrical Workers (IBEW) from 1989 to 1993. In 1982, Mr. Balgenorth was elected Executive Secretary of the Orange County Building Trades Council, where he served for ten years. In 1996, he became Vice-President of the California Labor Federation, AFL-CIO. Mr. Balgenorth was also the Vice-Chair of the Infrastructure Committee of the Governor's Commission for the 21st Century in 2000 and currently serves on the Governor's Workforce Investment Board.



## Mr. Joseph Tavaglione, Vice-Chair

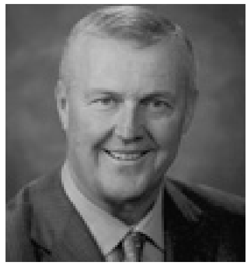
Mr. Tavaglione, of Riverside, has been the President of Tavaglione Construction and Development, Inc., since 1961. The company holds construction licenses in California, Nevada, Louisiana, Hawaii, Utah, Arizona, New Mexico and Washington. Mr. Tavaglione is a member and former Chairman of the California Contractors State License Board. He also represents California as the President of the National Association of State Contractors' Licensing Agencies.



## Ms. Marian Bergeson

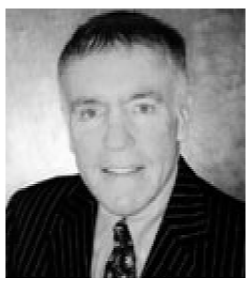
Ms. Bergeson, of Newport Beach, served in the State Legislature, first as an Assemblywoman, then as a State Senator. She served a large Senate District, including Imperial County, North Eastern San Diego, South Western Riverside County and Coastal Orange County. She authored many infrastructure and transportation bills including the consolidation of transportation agencies in Orange County (OCTA) and the Bergeson-Peace Infrastructure Bank and Economic Development Act (now the California Infrastructure and Economic Development Bank). She was elected to the Orange County Board of Supervisors after being "termed out". In 1996 Governor Wilson appointed her as his Secretary of Child Development and Education, and she was appointed to the State Board of Education in 1997.

## The Commissioners



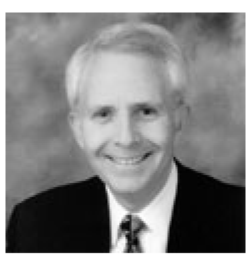
### Mr. James C. Ghielmetti

Mr. Ghielmetti, of San Francisco, is the Chief Executive Officer and Owner of Signature Properties Inc., the Northern California land development and homebuilding firm he founded in 1983. Since 1994, he has focused on the local transportation issues by chairing the Transportation Committee of the Tri-Valley Business Council. Mr. Ghielmetti was appointed to the Alameda County Transportation Authority Expenditure Plan Development Committee in 1997, the Board of Directors of the Bay Area Council in 1999, and the Governor's Commission for the 21st Century in 2000. He served on the Solutions on Sunol Coalition Leadership, a group comprised of the Tri-Valley Business Council, the Silicon Valley Manufacturing Group, the Fremont Chamber of Commerce and the Contra Costa Council.



### Mr. Jeremiah F. Hallisey

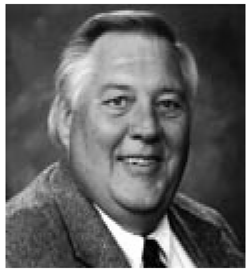
Mr. Hallisey, of San Francisco, has served as president of the law firm of Hallisey and Johnson since 1971. He previously served as special trial counsel for the Alameda-Contra Costa Transit District for two years. Mr. Hallisey was a Governor's appointee to the Commission on Building for the 21st Century. He also previously served as a trustee of the California State University and for two years served as a University of California Regent.



### Mr. Allen M. Lawrence

Mr. Lawrence, of Los Angeles, has been a member of the Commission since January 2000. He is the Chairman and Chief Executive Officer of Allen Lawrence & Associates, Inc., a major regional insurance brokerage firm which he founded in 1971. Mr. Lawrence is a licensed fire and casualty broker and life insurance agent. He is a member of the California Trucking Association, is a National Commissioner and serves on the Executive Committee of the Anti-Defamation League Executive Committee, is a member of the Agents and Brokers Advisory Committee of the Department of Insurance, and is a member of the Southern California Contractors Association.

## The Commissioners



### Mr. R. Kirk Lindsey

Mr. Lindsey, of Modesto, has been president of Brite Transport System, Inc. since 1972. He is also a managing partner of B&P Bulk and a partner of P&L Properties. Mr. Lindsey is a member of the board of directors of the Stanislaus Partners in Education, a member and past president of the California Trucking Association, and a member of the Governor's Workforce Investment Board. He is also the chairman of the local Workforce Investment Board of Stanislaus County. Mr. Lindsey is also a disabled veteran of the United States Army.

### Mr. Esteban E. Torres

Congressman Torres, of Los Angeles, served in the United States House of Representatives from 1983 to 1999, representing the 34th Congressional District that includes Pico Rivera, La Puente, Whittier, Montebello and parts of East Los Angeles. During his tenure in the Congress, Torres was a member of the House Committee on Appropriations, where he served on the Subcommittee on Transportation. He also chaired the House Banking Subcommittee on Consumer Affairs and Coinage. In the late 1960's Congressman Torres started TELACU The East Los Angeles Community Union (TELACU), a community development corporation that has grown into one of the largest anti-poverty agencies in the country. A veteran of the Korean War, Congressman Torres was appointed by President Carter in 1976 as ambassador to the United Nations Education, Scientific and Cultural Organization (UNESCO).



# ISSUES FOR 2005

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## Trends and Outlook for State Transportation Financing

California's transportation program is in crisis and on the verge of collapse. Where the state once had a transportation program funded almost exclusively from user fees protected by the California Constitution (gasoline taxes and weight fees), we now have a program dependent primarily on motor fuel sales taxes, without constitutional protection. For each of the last 4 years, transportation funds have been taken to close the General Fund deficit. For the last 2 years, the California Transportation Commission has been forced to stop making new allocations to projects from all three of the major components of the state transportation program, the State Transportation Improvement Program (STIP), the State Highway Operation and Protection Program (SHOPP), and the Traffic Congestion Relief Program (TCRP). Cities and counties have not been receiving the state subventions committed to them in statute for local road rehabilitation and repair and state transit assistance.

*California's transportation program is in crisis and on the verge of collapse.*

In all, these programs account for about $2.6 billion in state and local transportation projects that should be ready to go to construction this year but will not for lack of funding. Reduced spending on pre-construction work means the delay of billions more in future years. This represents a loss to California's economy in terms of reduced productivity, increased congestion, increased user costs, and increased system operating and maintenance costs. Applying standard economic multipliers, the work not going to construction this year alone will result in the loss of well over 50,000 jobs.

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Some projects in the STIP and the TCRP have been kept on schedule by means of borrowing, either through the advancement of funds by local agencies in return for the promise of later repayment or through the Commission's issuance of bonds against future federal transportation fund apportionments. The capacity for such borrowing, however, is reaching its limit as current transportation funding is cut off and future funding is placed in greater doubt. Meanwhile, the backlog of pavement and other rehabilitation needs on the State highway system is growing, and the cost to meet those needs is increasing as more and more work is deferred.

## The Transportation Program in Crisis

The STIP and the SHOPP constitute the major part of the State's transportation program. Together, they constitute the planned commitments of state and federal transportation dollars. They are approved by the Commission and developed in cooperation with the Department of Transportation (Caltrans) and the state's regional transportation planning agencies. The STIP consists of improvements to the State highway system, the intercity rail system, and other road and transit facilities of regional significance. The SHOPP is the program for rehabilitation and safety work on the State highway system that does not involve increases in roadway capacity.

*Since June 2003, the Commission has been forced to cease all funding allocations for new STIP projects and to severely restrict SHOPP allocations.*

Since June 2003, the Commission has been forced to cease all funding allocations for new STIP projects and to severely restrict SHOPP allocations. Needed improvements are being delayed, and the rehabilitation backlog is growing, only increasing ultimate costs. By June 2004, $800 million in STIP and SHOPP projects were either ready to go and placed on the shelf or could have been ready except for the lack of funding. By June 2005, that figure is expected to climb from $800 million to $1.3 billion. These figures do not take into account other projects that could have been ready in 2004-05, but were reprogrammed in the 2004 STIP. The 2004 STIP, the five-year plan to guide program allocations from 2004-05 through 2008-09, delayed $5.4 billion in projects by 2 years or more.

*… STIP projects were able to proceed this year only by borrowing against future STIP funds.*

Over $1.1 billion in scheduled STIP projects were able to proceed this year only by borrowing against future STIP funds. About $490 million of that borrowing is the advancement of funding by local agencies, with a STIP commitment of repayment at a later date. Another $658 million is borrowing through State bonding against future federal transportation funding apportionments.

The Traffic Congestion Relief Program (TCRP), the other major element of the state transportation program, consists of $4.9 billion designated for 141 specific projects in the Traffic Congestion Relief Act of 2000. By law, the program was funded through the Traffic Congestion Relief Fund (TCRF), which received $1.6 billion from the General Fund and gasoline sales tax in 2000-01 and was scheduled to receive a series of annual transfers from gasoline sales tax revenues over five years. The Commission allocates funds to the specific projects as they are ready. Since the program's inception, TCRF funds have been borrowed back for the General Fund and subsequent sales tax transfers have been postponed or suspended. Through 2002, the TCRP was kept intact only by using funds borrowed from the STIP. Throughout 2003 and 2004, the Commission could make no new project allocations at all. By the end of 2004, the Commission had received $314 million in TCRP allocation requests (including $132 million for construction projects) that are now being held back for lack of funding. Caltrans and local agencies report that $1.7 billion in TCRP projects (including $900 million for construction) will be ready to go by June 2005.

*Since the program's inception, TCRF funds have been borrowed back for the General Fund and subsequent sales tax transfers have been postponed or suspended.*

The Traffic Congestion Relief Act of 2000 also created a program of local subventions to cities and counties for local road rehabilitation and repair. The TCR subvention program was supported in 2000-01 by a $400 million transfer from the General Fund and was to be supported in later years by a portion of the sales tax on gasoline. For 2001-02 and 2002-03, however, the Legislature postponed the sales tax transfers and instead funded the program with $350 million in transfers from the State Highway Account that would otherwise have supported the STIP. For 2003-04 and 2004-05, trailer bills to the Budget Act suspended the TCR subvention altogether, eliminating $392 million for local road rehabilitation and repair.

**Revenues Lost**

The near elimination of the state transportation construction program over the past two years is unprecedented, the result of a basic structural problem in California's system of transportation financing. Until a few years ago, the state's transportation programs relied almost exclusively on user fees in the form of gasoline taxes and commercial vehicle weight fees. Article XIX of the California Constitution built a firewall around these revenues, protecting them from diversion for other purposes. In general, this provided a reliable basis for developing multiyear programs, and it could reasonably be assumed that funding would be available as projects were delivered. To be sure, the program went through cycles as funding fell behind delivery or delivery behind funding. The buying power of the revenues declined over time as cars became more fuel efficient, project costs increased with inflation, and gasoline taxes were seldom increased to keep pace. Sometimes earthquakes and other

*The near elimination of the state transportation construction program over the past two years is unprecedented, the result of a basic structural problem in California's system of transportation financing.*

natural disasters diverted dollars for unplanned work. Changes in federal law or policy might also bring about unexpected changes.

To some extent, these factors are still at work. Recent cost increases reported for the toll bridge seismic retrofit program, particularly for the San Francisco-Oakland Bay Bridge, could lead to the loss of future funding from the STIP, depending on the funding plan approved by the Legislature. Over the last two years, expectations for future federal transportation funding have declined and risen and still remain in doubt. The last six-year federal transportation authorization act expired in September 2003, and the latest temporary extension continues prior funding levels through May 2005. On the other hand, recent federal legislation eliminating the special tax treatment of ethanol-blended gasoline promises the end of another source of revenue loss by 2006.

*As important as the changes and uncertainties in federal revenue may be, their effects on the state transportation program pale by comparison to the impacts of state budget actions in recent years.*

As important as the changes and uncertainties in federal revenue may be, their effects on the state transportation program pale by comparison to the impacts of state budget actions in recent years. The problems began soon after the enactment of the Traffic Congestion Relief Act of 2000 (AB 2928). That act not only made promises and commitments that have not been kept, it made the entire state transportation program subject to the vagaries of the annual budget process. The constitutional firewall that had protected transportation funding for decades vanished over the next 3 years.

*An effective transportation program cannot survive when resources are suddenly advanced and withdrawn on an annual basis.*

Transportation projects usually take several years to bring to fruition. Planning and environmental studies, design work, permits and mitigation strategies, and right-of-way acquisition all must precede construction. An effective transportation program cannot survive when resources are suddenly advanced and withdrawn on an annual basis. Further compounding the instability inherent in the TCRP was that many of the 141 designated projects were not vetted through the transportation planning and programming process. Some projects were not deliverable within the original 6-year schedule designated for the program. Many projects were not fully funded, leading either to a skewing of priorities or the wasting of resources. Though some were of high priority, others were not part of any plan supported at either the state or regional level.

## Traffic Congestion Relief Act of 2000

The Traffic Congestion Relief (TCR) Act of 2000 committed $4.9 billion to the 141 designated projects of the Traffic Congestion Relief Program (TCRP), with funding originally to be provided through 2005-06, later extended to 2007-08. All $4.9 billion is funded through the Traffic Congestion Relief Fund (TCRF) created for that purpose. The TCR Act provided that the TCRF would be funded with:

*The Traffic Congestion Relief (TCR) Act of 2000 committed $4.9 billion to the 141 designated projects…*

- $1.5 billion from the General Fund in 2000-01 (including $400 million appropriated outside the TCRP for the TCR local road maintenance and repair subvention program).
- $500 million from the State sales tax on gasoline in 2000-01.
- $3.314 billion to be transferred from the Transportation Investment Fund (TIF), at the rate of $678 million per year for 5 years, originally from 2001-02 through 2005-06 and now from 2003-04 through 2007-08.

The TCR Act created the TIF to receive the revenues from the sales tax on gasoline and provided that each quarter, a fixed amount would be transferred to the TCRF, with the balance to be divided by formula, with 40% to cities and counties for local road maintenance and repairs, 40% to the STIP, and 20% to the Public Transportation Account (PTA). Of the 20% for the PTA, half would augment the State Transit Assistance (STA) program, which is distributed by formula to the state’s transit operators, and half would augment STIP revenues. The TIF and the transfers to the TCRF were originally to sunset in June 2006.

*The erosion of this major new source of transportation funding began almost immediately.*

## The First Year: 2001-02 Budget and AB 438

The erosion of this major new source of transportation funding began almost immediately. AB 438, the transportation trailer bill to the 2001-02 Budget Act, borrowed or delayed over $4.6 billion in transportation funds, including $1.16 billion in STIP funding either borrowed directly or used to backfill for TCR Act commitments. The General Fund was in trouble, and the stated intent was to borrow the transportation funds without delaying transportation projects. At the time, the three transportation funds (SHA, PTA, and TCRF) held cash balances that were more than enough to meet the short-term cash needs of active STIP and TCRP projects. The TCRP had been jump started



in 2000-01 with $1.6 billion, even though most TCRP expenditures were not expected for several years. For the STIP, program funding had been running ahead of program delivery since 1998. That was primarily because of circumstances peculiar to the 1998 and 2000 STIPs that made new funding capacity available earlier than it could be expended. For these reasons, the initial General Fund borrowing could be accommodated without delaying current STIP or TCRP projects. The borrowing, however, did mean that projects added in the 2002 STIP would be delayed by several years.

*The borrowing [meant] that projects added in the 2002 STIP would be delayed by several years.*

AB 438 accomplished its borrowing through the following specific actions:

- It suspended implementation of the TIF for two years so that the state sales tax on gasoline would be dedicated to transportation from 2003-04 through 2007-08 rather than from 2001-02 through 2005-06. This retained about $2.35 billion for the General Fund in 2001-02 and 2002-03.
- It continued funding for the TCR local road subvention program for 2001-02 and 2002-03, funding it with $350 million from the SHA. The SHA was to be repaid by receiving the 80% rather than 40% of the TIF balance in 2006-07 and 2007-08. This meant that the TCR subvention program would not be funded in the latter two years.
- It authorized money in the TCRF to be loaned to the General Fund through the annual budget act, with loans to be repaid by June 2006. The 2001-02 Budget transferred $238 million. The 2002-03 Budget transferred another $1.145 billion, for a total of $1.383 billion.
- To backfill for the TCRP, it authorized loans of $275 million from the PTA and $180 million from the SHA to the TCRF, with SHA loans to be repaid by June 2007 and PTA loans by June 2008. The 2001-02 Budget implemented loans of $180 million from the PTA and $180 million from the SHA. The 2002-03 Budget added the other $95 million from the PTA.

**The Second Year: 2002-03 Budget and SB 1834**

The Commission took into account all of the transportation fund borrowing authorized by the AB 438 TCR refinancing package when it adopted the 2002 STIP fund estimate.

However, SB 1834, the transportation trailer bill for the 2002-03 Budget Act, authorized the borrowing of another $647 million to the fill the General Fund deficit, again with the stated intent of doing so without delaying projects. Because SB 1834 and the Budget had not taken the 2002 STIP (adopted in April 2002) into account, this new borrowing meant new project delays, despite the statement of intent. Among SB 1834's specific provisions:

*Proposition 42, a legislative constitutional amendment [was] approved by 69 percent of the voters in March 2002…*

- It increased the authority to make budget loans from the SHA to the TCRF from $180 million to $654 million. The $474 million increase was subject to repayment from the General Fund, with interest, by June 2007. The $474 million was included in the 2002-03 Budget.
- It authorized the Director of Finance, outside the budget, to order a direct loan of $173 million from the SHA to the General Fund, under the terms of Article XIX of the California Constitution. A loan in this amount was made in 2002-03 and repaid in 2003-04.

**<u>Proposition 42</u>**

Proposition 42, a legislative constitutional amendment approved by 69 percent of the voters in March 2002, removed the June 2008 sunset date for the TIF and permanently dedicated the revenues from the sales tax on gasoline to the purposes already identified in statute. The prior statute, including the TCRP, was continued through 2007-08. Then, beginning with 2008-09, no further funding would be transferred to the TCRF for the TCRP designated projects, and all TIF revenues would be divided by formula, with 40% for local road subventions to cities and counties, 40% for the STIP, and 20% for transfer to the PTA. With half of the PTA augmenting the STIP, one-half of all TIF revenues would accrue to the STIP.

*One provision of Proposition 42… was a constitutional bar to suspending transfers to the TIF or using TIF revenues for other purposes.*

One provision of Proposition 42 that went into effect for 2003-04 was a constitutional bar to suspending transfers to the TIF or using TIF revenues for other purposes. It required a finding by the Governor and the enactment of a bill passed by a two-thirds vote of both houses of the Legislature to suspend or reduce transfers to the TIF for a fiscal year. With a two-thirds vote of both houses, the Legislature could also change the percentages allotted to each purpose (local subventions, STIP, and PTA), but no statute could redirect TIF funds to any other purpose, including the TCRP.

**The Third Year: 2003-04 Budget, SB 1750, and SB 1751**

*The protections of Proposition 42 were quickly set aside in 2003-04, the first year they came into effect.*

The protections of Proposition 42 were quickly set aside in 2003-04, the first year they came into effect. SB 1750 partially suspended the 2003-04 General Fund transfer to the TIF transfer, limiting it to $289 million for transfer to the TCRF. The balance, estimated at $856 million, was retained for the General Fund. Of the $289 million transferred, SB 1751 appropriated $189 million for the TCRP and directed that $100 million be transferred to the State Highway Account for expenditure on the STIP as a partial repayment of loans made to the TCRF by the SHA under SB 1834 (2002).

*The clear message was that Proposition 42 and the TIF, as great as their promise was, could not be relied upon for long-term support of the state transportation program.*

SB 1751 also created the Transportation Deferred Investment Fund (TDIF) and specified that an amount equal to the suspended portion of the 2003-04 TIF transfer, with interest, be transferred to the TDIF by June 2009, with revenue to the TDIF to be available for the same purposes for which the suspended TIF transfer would have been available. The purpose of this was to treat the suspension as a loan, with the repayment not protected by Proposition 42. The clear message was that Proposition 42 and the TIF, as great as their promise was, could not be relied upon for long-term support of the state transportation program.

**The Fourth Year: 2004-05 Budget, SB 1099, and SB 1098**

*That message was confirmed this year when the Legislature… [suspended] the Proposition 42 TIF transfer for 2004-05.*

That message was confirmed this year when the Legislature enacted SB 1099 to suspend the Proposition 42 TIF transfer for 2004-05, this time in full, retaining $1.138 billion for the General Fund. A companion bill, SB 1098, treated the suspension as a loan, specifying that an amount equal to the suspended 2004-05 TIF transfer, with interest, be transferred from the General Fund to the TDIF by June 2008, with the TDIF revenue to be available for the same purposes for which the 2004-05 suspended TIF transfer would have been available.

The 2004-05 Budget did provide $183 million to repay the TCRF for loans to the General Fund. Of this amount, $43 million was transferred from the General Fund and $140 million was taken from sales tax revenues that would otherwise have gone to the Public Transportation Account (as part of the "spillover" formula). That reduced STIP revenues by $70 million and the State Transit Assistance (STA) program for local transit operators by $70 million. Of the

$183 million loan repayment to the TCRF, the Budget directed that $163 million be retained for TCRP projects and that $20 million be transferred to the State Highway Account for partial repayment of SHA loans to the TCRF.

**Using Tribal Casino Bonds to Repay Loans: AB 687**

*AB 687 has added another level of complexity and further uncertainty to the transportation funding picture.*

Another measure affecting transportation funding was enacted this year through AB 687, which ratified tribal casino revenue compacts and provided authority to bond against future state revenues from those and any additional tribal-state compacts, with up to $1.5 billion in proceeds to be dedicated to the repayment of transportation program loans to the General Fund. AB 687 was ostensibly to be a solution for transportation funding in 2004-05, in effect a replacement for the suspended Proposition 42 transfer. In reality, however, AB 687 has added another level of complexity and further uncertainty to the transportation funding picture. None of the proceeds is yet available. It is not clear when or over what period of time the bonds may be sold, and it is not yet clear what effect potential procedural constraints will have on making the funds available.

*Until [the] legal obstacle is resolved, the bonds cannot be sold.*

No sale of bonds could proceed before the November 2004 election, since the passage of either of two casino revenue initiatives, Proposition 68 and Proposition 70, would have nullified the underlying compacts negotiated by the Governor and ratified by AB 678. The defeat of the initiatives, however, did not resolve the salability of the bonds. A lawsuit filed in September 2004 challenges the ratification of the compacts through urgency legislation, which precluded opponents from petitioning for a referendum against them. Until that legal obstacle is resolved, the bonds cannot be sold.

If those questions are resolved, other issues will remain. Though the language of AB 687 seems to imply that $1.2 billion would be made available immediately, the State Treasurer has indicated that bond proceeds would likely be closer to $850 million. In any case, the amount and timing of bond proceeds will depend on several unknowns:

- The resolution of the legal challenge to the ratification of the compacts.
- The timing and magnitude of the underlying casino revenue revenues upon which the tribal-state compact revenues are based.

- The cost of credit enhancements, such as bond insurance. The State Treasurer indicates that this cost is likely to be high because of the unwillingness of the sovereign tribes to make their financial operations a public record.

The authorized bond sale might not occur at one time, but could consist of a series of sales. AB 687 even includes a provision for the compact revenues to be applied directly to transportation if bond sales are determined not to be feasible.

The $1.5 billion in authorizations for transportation loan repayments are laid out in priority order by AB 687:

- The first $1.214 billion would go to the TCRF to repay its loan to the General Fund. This amount would be available for use in the following priority order:

  1) $457 million to repay the State Highway Account for its loan to the TCRF. These funds would accrue to the STIP.

  2) $290 million for allocation to TCRP projects.

  3) $384 million to be split with equal priority, with:

     - $192 million to the PTA to repay part of its loan to the TCRF. These funds would accrue to the STIP.
     - $192 million to the TCR local streets and roads program, to pay the amount due from the TDIF for that program in 2008-09 as a result of the TIF suspension for 2003-04.

  4) $83 million to the PTA to repay the remainder of its loan to the TCRF. These funds would accrue to the STIP.

  5) From any portion of the $1.214 billion that might remain (e.g., because the higher priority loan repayments are made earlier from other funding), funding of the amount due to the STA program in 2008-09 as a result of the TIF suspension for 2003-04 (about $47 million).

- The remainder of the $1.5 billion (no more than $286 million, unless higher priority loan repayments are made from other funding), would go to the TDIF for payment toward the amount due in 2007-08 as a result of the TIF suspension in 2004-05. The total TDIF due in 2007-08 is about $1.138 billion (plus interest).

- Any remainder to the TDIF for payment toward the remainder due in 2008-09 as a result of the TIF suspension for 2003-04. This total is about $909 million (plus interest), including the amounts identified in items three and five above.

AB 687 further mandates that bonds be exempt, as much as possible, from federal taxation of interest. That should effectively preclude the use of bond proceeds to cover past expenditures, for example by liquidating TCRP letters of no prejudice or STIP cash reimbursements due under AB 3090 arrangements. It will further require that projects to be funded from the proceeds of a bond sale be identified in advance. That may introduce further administrative complexity, especially with regard to the TCR local streets and roads program and the STA program for local transit.

**Summary of Scheduled Transfers and Loan Repayments**

The following table summarizes the annual Proposition 42 TIF transfers and loan repayments as they are now scheduled. The table includes the original General Fund transfer from 2000-01. The loan repayments now scheduled to be paid from the proceeds of tribal casino revenue bonds pursuant to AB 687 are shown in a separate line.

*…the Commission has responded to the diversion and loss of transportation funds by suspending new allocations, by monitoring cash flow closely, by encouraging local agencies to advance local funding for projects where they could, by bonding.*

**Scheduled TIF Transfers and Loan Repayments**
($ millions)

| | TCRP | STIP | Loc Rds | STA | Total |
|---|---|---|---|---|---|
| **Prior Years** | $1,051 | -$ 839 | $ 0 | $ 0 | **$ 212** |
| **2003-04** | 189 | 100 | 0 | 0 | **289** |
| **2004-05** | 163 | 20 | 0 | 0 | **183** |
| **AB 687** | 290 | 732 | 192 | 0 | **1,214** |
| **2005-06** | 678 | 238 | 190 | 48 | **1,153** |
| **2006-07** | 678 | 438 | 0 | 49 | **1,164** |
| **2007-08** | 1,280 | 770 | 184 | 106 | **2,340** |
| **2008-09** | 581 | 880 | 512 | 176 | **2,149** |
| | | | | | |
| **Total** | **$4,910** | **$2,338** | **$1,078** | **$ 378** | **$8,704** |

**The Commission's Response**

Over the past two years, the Commission has responded to the diversion and loss of transportation funds by suspending new allocations, by monitoring cash flow closely, by encouraging local agencies to advance local funding for projects where they could, by bonding against future federal transportation apportionments to fund a few large projects, and by reprogramming projects in the 2004 STIP, delaying over $5.4 billion in projects by two years or more.

- In December 2002, the Commission suspended allocations to all STIP, TCRP, and SHOPP projects except SHOPP projects for emergency repair, seismic retrofitting, and traffic safety.

- From April to June 2003, the Commission temporarily resumed STIP and SHOPP allocations, following an allocation plan for rationing programmed funding adopted in April. During those months, the Commission approved allocations to $1 billion of the $1.4 billion in projects that were ready to go.

- For 2003-04, the Commission once again suspended all STIP and SHOPP allocations except SHOPP projects for emergency repair, seismic retrofitting, and traffic safety. Allocations for other SHOPP were resumed on a limited basis in January 2004. For all of 2003-04, however, the Commission approved no new STIP project allocations and $800 million in SHOPP, as compared with $1.3 billion programmed.

- For 2004-05, the Commission continued the suspension of all STIP and SHOPP allocations, except for emergency and safety projects, through January 2005. On the basis of December 2004 cash projections; the Commission now anticipates no more than $720 million in STIP and SHOPP allocations through June 2005, against over $2.0 billion programmed, including over $1.9 billion for the SHOPP. In January 2005, the Commission will consider the extent to which 2004-05 allocations may be extended beyond SHOPP emergency and safety projects.

- The Commission has approved $455 million in STIP AB 3090 arrangements, under which a local agency advances a project with its own funds and in return receives programming either for cash reimbursement or for a replacement project in a later year.

- The Commission approved the issuance of Grant Anticipation (GARVEE) bonds, secured by future federal transportation apportionments, to cover $658 million in costs for 8 major STIP projects. The bond issuance was approved in January 2004.

- During 2003, the Commission approved $269 million in TCRP letters of no prejudice (LONPs). Under an LONP, a local agency implements a TCRP project with its own funds, retaining the option to claim the state TCRP funds dedicated for the project when and if they later become available. Given the uncertainties of TCRP funding, the Commission stopped approving new LONPs in 2004, and has since built a backlog of $590 million in pending but unapproved LONPs.

- In August 2004, the Commission adopted the 2004 STIP, which added two new years (out to 2008-09) and no new project funding capacity. The new STIP reprogrammed $5.4 billion in projects carried forward from the 2002 STIP, delaying them by an average of two years. In accordance with statute, the fund estimate on which the STIP is based assumed that TIF transfers would proceed as scheduled, without suspension, and that all prior loans would be repaid as scheduled.
- The Commission, together with the Department, continues to monitor the demand and availability of cash flow for STIP, the SHOPP, and the TCRP.

*The outlook for transportation funding in California depends on the resolution of unknowns in four areas: …toll bridge seismic retrofit… federal reauthorization… legality of the tribal casino revenue bonds… and most important of all… approval or suspension of Proposition 42.*

**<u>Future Outlook</u>**

The outlook for transportation funding in California depends on the resolution of unknowns in four areas: the approval of a revised funding plan for the toll bridge seismic retrofit program by the Legislature; the approval of a federal reauthorization act by Congress and the President; the resolution of the legality of the tribal casino revenue bonds and the determination of cash availability from their proceeds; and, most important of all, the actions of the Legislature with regard to the approval or suspension of Proposition 42 transfers and the repayment of outstanding loans.

In August 2004, Caltrans reported that projected costs for the toll bridge seismic retrofit program (including contingencies) was now $8.3 billion – about $3.2 billion more than the funding provided for by AB 1171 (2001). The letting of additional contracts to complete the east span of the San Francisco-Oakland Bay Bridge is now on hold pending the adoption of a new funding plan by the Legislature. The existing funding plan draws primarily on bridge tolls, state general obligation bonds (Proposition 192), and state transportation revenue drawn from the State Highway Account and the Public Transportation Account. Any further draws on those two accounts would reduce STIP funding already severely at risk.

The last six-year federal transportation authorization act expired September 30, 2003, and its terms have been extended six times, most recently until May 31, 2005. Most observers now expect the approval of a new authorization act sometime in 2005. By May 2004, both the Senate and House of Representatives had passed six-year reauthorization bills, which would extend federal authorizations to 2008-09. The Senate-passed version would provide $318 billion in contract authority and the House version $283 billion, while the White House has opposed any figure over $256 billion. The White House position roughly equates to the levels assumed for the 2004 STIP fund estimate. House and Senate conferees have yet to complete work on a conference bill to send to the President, though present indications are that there is support for a compromise in the neighborhood of $299 billion. If enacted and signed by the President, that could provide a 15-20% increase in federal funding over the amount assumed in the fund estimate, or roughly $2.3 billion overall for California, including $1.4 billion in additional STIP capacity over the six-year period. The doubt is whether the President will agree to sign a bill approved by Congress or whether the Congress would override a presidential veto.

*More than anything, the future of transportation in California will depend on decisions made by the Governor and the Legislature in the 2005-06 budget process.*

In 2004, the Legislature dedicated up to $1.5 billion in bond proceeds from tribal casino revenue compacts to repay loans due from the General Fund to various transportation funds. With both the legality of the compact ratifications and the economic viability of the bonds in doubt, it is uncertain when, whether, and how much of these funds will be realized to repay the existing loans. Most troubling is the uncertainty even as to when these questions will be resolved.

More than anything, the future of transportation in California will depend on decisions made by the Governor and the Legislature in the 2005-06 budget process. The state transportation program has become largely and increasingly dependent on sales tax revenues. Under the California Constitution, as amended by Proposition 42, gasoline sales tax revenues are transferred to the Transportation Investment Fund to support both the TCRP and the STIP, as well as local road subventions and the state transit assistance program. Over the last 4 years, however, the scheduled transfers have been postponed or suspended to backfill for General Fund deficits. Of the $5.4 billion reprogrammed in the 2004 STIP, for example, about $4.0 billion (75%) was scheduled to come from sales tax revenues - $3.3 billion from Proposition 42 transfers (including repayments of prior loans) and $0.7 billion from other sales tax revenues to the PTA, including the sales tax on diesel fuel.

*The state transportation program has become largely and increasingly dependent on sales tax revenues.*

By law, each STIP fund estimate is adopted on the basis of revenues in existing law. The 2004 STIP fund estimate assumed that Proposition 42 TIF transfers would be made each year and that outstanding loans would be repaid on schedule. In August 2005, the Commission will be adopting the fund estimate for the 2006 STIP (for the 5-year period ending 2010-11). If the annual TIF transfer is postponed or suspended for the fifth year in a row, it would seem prudent for the Commission to assume, on the basis of the record, that no TIF transfers will be available for the STIP. That assumption would mean the loss of over \$3.6 billion to the 2006 STIP. With most, and perhaps all, available State Highway Account funds needed to support safety and rehabilitation work through the SHOPP, this would mean the virtual collapse of the state transportation improvement program.

*If the annual TIF transfer is postponed or suspended for the fifth year in a row, it would seem prudent for the Commission to assume… that no TIF transfers will be available… this would mean the virtual collapse of the STIP.*

# ISSUES FOR 2005

## Structural Reform of Transportation Finance

The crisis in transportation funding, part of the larger and ongoing state budget crisis, has exposed the need and created the opportunity for a major restructuring of transportation finance in California. That restructuring should address both the sources of revenue applied to transportation and the relationship of the state budget process to performance and accountability for delivery of the program.

*The crisis in transportation funding, part of the larger and ongoing state budget crisis, has exposed the need and created the opportunity for a major restructuring of transportation finance in California.*

### Need for Restructuring of Transportation Finance

The state's current financial crisis illustrates how untenable California's current transportation financial structure has become for the long-term maintenance and development of the state's transportation system. The state needs a transportation program supported by a stable and reliable source of revenue that can keep pace with California's needs. The Traffic Congestion Relief Act of 2000 and Proposition 42, despite the promise they held when enacted, have simply not worked. A transportation program that depends on volatile or unreliable funding sources can only be a dysfunctional program. Even when the state's economic fortunes improve, the current statutory dedication of gasoline sales tax revenues for transportation will not provide the long-range reliability needed to plan and implement projects that require years to develop.

*The state's current financial crisis illustrates how untenable California's current transportation financial structure has become…*

In hindsight, it appears that the diversion of a portion of the sales tax to transportation has contributed to the state's overall structural budget deficit. To remedy that deficit will require either:

1) an increase in the general sales tax or other taxes to make up for the dedication to transportation;
2) reductions in non-transportation programs to make up for the dedication to transportation;
3) permanent reductions in transportation investment to return the sales taxes to non-transportation programs, or
4) the establishment of an alternative financial structure for transportation while returning the sales taxes to non-transportation programs.

The postponements, loans, and suspensions of the last four years all point to the third option, reductions in the transportation program, even while promising that the funds would be returned at a later date. Without a change in overall program structure, making the scheduled Proposition 42 transfers and transportation loan repayments would almost surely mean choosing between the first two options, increasing other taxes or cutting other programs, a most unpalatable choice for the Legislature. Even the prospective use of tribal casino bond proceeds to repay transportation loans, as welcome as it might be, has introduced one more element of volatility and uncertainty to the state transportation funding structure.

*California needs a transportation financial structure that guarantees a stable and reliable source of funding…*

In order to meet the state's growing needs for maintaining, rebuilding, and improving transportation, California needs a transportation financial structure that guarantees a stable and reliable source of funding across the years, preferably a structure under which revenues can rise with construction costs and needs. Historically, California's state transportation program has relied most heavily on fuel taxes and commercial vehicle weight fees, with inviolable protections built into Article XIX of the California Constitution. When revenues from these state sources failed to keep pace with needs, 19 counties representing 87% of the state's population enacted local transportation sales tax measures. In November 2004, voters in 7 of the 9 counties with ballot measures for new or renewed transportation sales taxes, approved them by more than the required 2/3 vote. Revenues from all of these measures are protected from non-transportation uses by authorizing statutes, by local voter-approved ordinances, and by the terms of bond covenants.

*Proposition 42 promised a boost in state transportation funding that was much needed… In fact, 75% of the funding needed to support… the 2004 STIP would come from sales tax revenues.*

Proposition 42 promised a boost in state transportation funding that was much needed, even if relatively modest. It promised about $1.2 billion per year, roughly equivalent to a gasoline tax of 7 cents per gallon. With half of the revenue in future years dedicated to the STIP, it would have allowed the STIP to be maintained at levels roughly equal to earlier years. The new revenue would have mostly made up for growing rehabilitation needs on the State highway system, growth in travel, and the steadily declining revenue per mile from the existing per-gallon gasoline tax. In fact, 75% of the funding needed to support the $5.4 billion reprogrammed in the 2004 STIP would come from sales tax revenues. Proposition 42 also promised an important though modest increase in funding for local road rehabilitation, where the

Commission's SR 8 study of 1999 found an unfunded backlog of over $10 billion in needs, growing at an annual rate of $400 million per year.

*…the Commission urgently recommends that the Legislature take action that will assure a steady and reliable structure for the multiyear financing of transportation capital improvements in California…*

While increasing the gasoline tax, with its Article XIX protection, may be the simplest means for funding the state transportation program, there are other options that might be considered. The constitution could be amended to afford the gasoline sales tax the same protections now provided the per-gallon tax under Article XIX, although that would likely lead to one of the first two options described above, either an increase in other taxes or cuts in other programs. The state could explore new means of tolling highways and bonding against toll revenues. A gasoline tax increase could be implemented directly by the Legislature or conditioned upon voter approval (as was done with Proposition 111 when the gasoline tax was last raised, in 1989). Gasoline taxes could be enacted incrementally or indexed. In any case, the Commission urgently recommends that the Legislature take action that will assure a steady and reliable structure for the multiyear financing of transportation capital improvements in California, including the rehabilitation and reconstruction of existing facilities.

**<u>Program Delivery Performance and Accountability</u>**

*The current state transportation financial structure also lacks the kind of accountability needed to ensure that funding is spent effectively.*

The current state transportation financial structure also lacks the kind of accountability needed to ensure that funding is spent effectively. The current financing and budgeting system involves no measurement of project delivery and management performance, discourages innovation to achieve performance goals, and diffuses program accountability. Because of the length of time required to develop transportation capital projects and bring them to fruition, the uncertainties and constraints imposed by an annual budget cycle and the imposition of rules intended for the operation of General Fund agencies add costs and time to an already lengthy process.

This inattention to performance and results seriously handicaps transportation policy and decision-making. The ordinary budgeting process, based on a review of year-to-year adjustments, impairs the ability of policymakers and managers to impose or adapt to new priorities. Transportation financing and budgeting should be focused instead on results and ensuring accountability for achieving results.



*The Commission recommends that the Legislature reform the budget process as it applies to the transportation capital outlay program, including capital outlay support.*

The Commission recommends that the Legislature reform the budget process as it applies to the transportation capital outlay program, including capital outlay support. Without compromising the Legislature's oversight authority, the focus of the process should be shifted from budget controls to performance objectives, from annual budget change increments to multiyear program goals. Budgets based on program outcomes should replace the focus on positions, classifications, and dollars by fund source. Such budget controls can reduce or eliminate a manager's ability to respond to changing conditions and to take advantage of opportunities to deliver the program more effectively. Under the current process, key decisions affecting the delivery of the state transportation program are too often driven by control agencies rather than by transportation policy makers in the Administration, at the Commission, or in the Legislature.

*The focus of the budget should instead be on performance in delivery of the state transportation program...*

*Under the leadership of the Secretary… Caltrans has recently developed… transportation system performance measures that should provide a useful basis for setting program goals and measuring outcomes.*

The focus of the budget should instead be on performance in delivery of the state transportation program, which is developed by state and regional agencies under the structure created in state law. Under the leadership of the Secretary of the Business, Transportation and Housing Agency, Caltrans has recently developed and is now testing a set of transportation system performance measures that should provide a useful basis for setting program goals and measuring outcomes. The system was designed by the Department in collaboration with a team of transportation stakeholders, including Commission staff and representatives from the Federal Highway Administration, regional agencies, metropolitan planning organizations, transit operating agencies, local transportation agencies, and the Commission's Rural Counties Task Force. The team built on earlier efforts by the Department and metropolitan planning organizations—most notably the Southern California Association of Governments and the Metropolitan Transportation Commission. In July 2004, the Department published a report summarizing and outlining the team's recommendations for measuring performance outcomes in nine areas:

1. Coordinated transportation and land use.
2. Economic development.
3. Environmental quality.
4. Equity.
5. Mobility, reliability, and accessibility.
6. Productivity.

7. Return on investment.
8. Safety.
9. System preservation.

Caltrans is now using these recommendations to develop a prototype "state of the system" report to use as a model for future annual system reports. The prototype, scheduled for completion in January 2005, will be used to solicit stakeholder feedback on content, structure, format, and presentation of data. Development of the prototype will help the Department to organize and communicate information, to identify and understand target audiences and their needs, to define and clarify data collection roles and responsibilities, to define and clarify data aggregation levels and analysis timeframes, and to identify data gaps and close them. The preparation and completion of the first annual state of the system report would follow later in 2005.

# ISSUES FOR 2005

## Outlook for the STIP and SHOPP

In August 2004, the Commission adopted the 2004 STIP, adding two new program years (through 2008-09) and no new programming capacity. Constrained by the 2004 STIP fund estimate, projects from the 2002 STIP were rescheduled, with most of them delayed by two years or more. The schedule of projects in the 2004 STIP includes:

**2004 STIP Programming by Year**
**($ millions)**

| | Prior Yr | 2004-05 | 2005-06 | 2006-07 | 2007-08 | 2008-09 | Total |
|---|---|---|---|---|---|---|---|
| GARVEE bond debt service | $ 0 | $ 68 | $ 73 | $ 73 | $ 73 | $ 73 | $ 359 |
| AB 3090 cash payments | 0 | 18 | 44 | 125 | 76 | 70 | 332 |
| Caltrans environmental, design | 625 | 5 | 35 | 24 | 16 | 24 | 730 |
| Caltrans R/W, including support | 661 | 3 | 132 | 110 | 122 | 10 | 1,038 |
| Caltrans construction | 0 | 68 | 905 | 769 | 659 | 898 | 3,299 |
| Local projects, Caltrans rail | 0 | 60 | 390 | 255 | 343 | 363 | 1,395 |
| Enhancement (TE) projects | 0 | 73 | 122 | 69 | 71 | 64 | 407 |
| **Total** | **$1,286** | **$295** | **$1,701** | **$1,426** | **$1,360** | **$1,503** | **$7,571** |

The program year represents the year project funding is scheduled for allocation, not the year in which cash is expended. In the case of Caltrans environmental, design, and right-of-way (which are not allocated to individual projects by the CTC), it represents the year in which work is scheduled to begin.

The $7.6 billion STIP total includes $1.286 billion in Caltrans environmental, design, and right-of-way costs programmed in prior years for projects that remain in the STIP and have not yet been allocated funds for construction. It also includes $359 million in GARVEE bond debt service payments scheduled through the STIP period, $332 million in scheduled AB 3090 cash reimbursements, and $407 million in Transportation Enhancement (TE) projects and reserves. TE projects are funded from federal TE funds, which can be used only for this purpose. The $4.7 billion remainder of the STIP is programmed for allocation to Caltrans construction (including construction support) and local agency projects (excluding TE).

Of the $4.7 billion scheduled for STIP project allocations, just $128 million was scheduled for the new STIP's first year, 2004-05, with another $1.295 billion scheduled for 2005-06. The STIP adoption also set aside $65 million in program capacity for 2004-05 to allocate the non-federal match for GARVEE bonding that might be approved in 2004-05. With STIP capacity severely restricted for 2004-05, many projects that were already delivered or that could be ready in 2004-05 were programmed in later years.

*With STIP capacity severely restricted for 2004-05, many projects that were already delivered or that could be ready in 2004-05 were programmed in later years.*

Among the major STIP projects programmed for allocation in 2004-05 or 2005-06 are:

- Amador. Route 88 passing lanes, Pine Grove.
- Butte. Route 149 4-lane expressway, Route 70 to Route 99.
- Colusa. Route 20 passing lanes, Steer Ditch Bridge to Sycamore.
- Contra Costa. Route 80 westbound HOV lane, Carquinez Bridge to Route 4, and Route 680 auxiliary lane, Danville/San Ramon.
- El Dorado. Route 50 operational improvements, Placerville.
- Fresno. Route 99 widening, Kingsburg to Selma.
- Glenn. Route 32 realignment, Orland.
- Kern. Route 178 Fairfax Road interchange, Route 14 widening north of Mojave, and Westside Parkway, Phase 1.
- Lassen. Skyline Road improvements.
- Los Angeles. MTA light rail vehicles, Route 5 Western Avenue interchange in Glendale, Route 134 Hollywood Way interchange in Burbank; Route 138 widening at Twin Bridges; Route 60 HOV lanes, Route 605 to Azusa Avenue.
- Madera. Route 99 freeway at Fairmead.
- Marin. Route 101 reversible HOV lanes.
- Merced. Route 99 freeway at Livingston and at Mission Avenue interchange.
- Orange. Route 90 Imperial Highway grade separation near Orangethorpe; Route 5 HOV lanes, Route 91 to Los Angeles County Line.
- Placer. Route 49 improvements, Route 80 to Dry Creek Road.
- Riverside. Route 60 HOV lanes, Route 15 to Valley Way.
- Sacramento. Traffic operating system, Routes 5 and 80
- San Bernardino. Route 215 HOV lanes, Route 10 to Route 30; Route 10 widening, Orange St to Ford St.
- San Diego. Route 905 Otay Mesa freeway.
- San Joaquin. Route 5 widening, Mossdale.
- San Luis Obispo. Route 41/101 interchange, Atascadero.
- San Mateo. Route 101 auxiliary lanes, 3rd Ave to Millbrae Ave.
- Santa Barbara. Route 101 6-lane freeway, Santa Maria.
- Santa Clara. Route 152/156 interchange improvements.
- Santa Cruz. Route 1/17 connector.
- Shasta. Cypress Avenue Sacramento River bridge; downtown Redding improvements on Routes 273 and 299.
- Solano. Route 80 westbound HOV lane, Route 29 to Carquinez Bridge.
- Sonoma. Route 101 HOV lanes, Route 12 to Steele Lane, and Steele Lane interchange.
- Stanislaus. Route 132 widening, Riverside Drive to Empire.
- Sutter. Route 99 widening, Route 70 to Garden Highway.

- Trinity. Hyampom Road realignment at Hayfork.
- Tulare. Road 80 expressway, Goshen to El Monte Way (right-of-way).
- Ventura. Route 23 widening, Route 118 to Route 101, and Tunnel 26 seismic improvements on Metrolink.

**Near-Term Outlook for STIP Funding**

As required by statute, the 2004 STIP was based on the STIP fund estimate adopted in December 2003. That fund estimate assumed, among other things, that the STIP would receive gasoline sales tax revenues each year through Proposition 42 Transportation Investment Fund (TIF) transfers. It also assumed that the STIP would receive a $464 million loan repayment for the State Highway Account in 2006-07 and a $275 million loan repayment for the Public Transportation Account (PTA) in 2007-08. The capacity to make allocations in any given year depends not only on the program revenues available that year, but also on the revenues expected for the following two years, when most of the project expenditures will actually occur.

*The prospects for funding STIP projects as programmed for 2004-05 and 2005-06 have been dimmed by the suspension of the Proposition 42 transfer for 2004-05…*

The prospects for funding STIP projects as programmed for 2004-05 and 2005-06 have been dimmed by the suspension of the Proposition 42 transfer for 2004-05, a direct loss of about $230 million in STIP revenues. Under legislation tied to the suspension, the suspension was to be treated as a loan, with the lost revenue to be replaced through the Transportation Deferred Investment Fund (TDIF) in 2008-09. As another part of the 2004-05 budget package, AB 687 dedicated tribal casino bond revenues to advancing the repayment of the SHA and PTA loans due in 2006-07 and 2007-08. The net result of the suspension, the TDIF loan, and the AB 687 payments would have been to make some STIP revenues available earlier than anticipated by the fund estimate (an increase of $522 million in 2004-05, with $477 million advanced from 2006-07 and $45 million from 2007-08). However, all but $20 million of the $522 million was tied to the tribal casino revenue bond sale, which is now under a legal cloud. A lawsuit filed in September 2004 challenged the legality of the Legislature's ratification of the tribal compacts, and the bonds cannot be sold until the legal issues are resolved.

*…the Commission now anticipates capacity to allocate no more than $720 million for STIP and SHOPP projects in 2004-05, against over $2.0 billion programmed…*

Through December 2004, the Commission had made no STIP allocations (except for TE projects). On the basis of cash projections updated in December 2004, the Commission now anticipates capacity to allocate no more than

$720 million for STIP and SHOPP projects in 2004-05, against over $2.0 billion programmed, including over $1.9 billion for the SHOPP. In January 2005, the Commission will consider the extent to which any of this limited capacity should be made available for STIP projects.

**GARVEE Bonding**

Under state and federal law, the Commission may select some projects from the STIP and SHOPP to be funded from the proceeds of federal grant anticipation (GARVEE) bonds, a form of borrowing against future federal funding for the STIP. The Commission approved the first issuance of GARVEE bonds in January 2004 for $658 million for eight projects from the 2002 STIP.

GARVEE bond proceeds can cover only the federally-funded portion of a project's cost (generally 88.5%). GARVEE bonding in California is structured so that the state's future federal transportation apportionments cover all debt service payments. This requires that the entire nonfederal portion of project cost (including costs of issuance and interest) be provided during the construction period on a pay-as-you-go basis. In adopting the 2004 STIP, the Commission set aside $65 million as a reserve to provide the nonfederal match.

*The Commission's ability… to proceed with the [GARVEE] bonding, will depend on tribal casino revenue bonds.*

After receiving information and proposals from the Department and regional agencies, the Commission identified 6 projects with programmed costs of $312 million for potential GARVEE bonding in 2004-05. The Commission's ability to provide the nonfederal match, and thus to proceed with the bonding, will depend on the receipt of revenues from the AB 687 tribal casino revenue bonds. The GARVEE projects identified in a STIP amendment presented at the December 2004 Commission meeting include:

**GARVEE Bonding STIP Amendment, December 2004**
($1,000's)

| | | | | | Nonfederal Match | |
|---|---|---|---|---|---|---|
| **PPNO** | **County** | **Rte** | **Project** | **GARVEE** | **TCRP** | **STIP** |
| 16W | Butte | 149 | 4-lane expressway, Route 70-Route 99 | $ 70,000 | $ 0 | $12,500 |
| 261F | Contra Costa | 80 | Westbound HOV lanes, Rte 4-Carquinez Br | 16,649 | 0 | 3,287 |
| 1530 | Fresno | 99 | 6-lane freeway, Kingsburg-Selma | 29,880 | 20,000 | 0 |
| 2808A | Los Angeles | 5 | Carmenita Av interchange, right-of-way | 81,494 | 71,000 | 0 |
| 7965B | San Joaquin | 205 | 6-lane freeway, Route 5-11th Street | 67,000 | 25,000 | 0 |
| 789A | Sonoma | 101 | HOV lanes, Route 12-Steele Lane | 41,327 | 6,000 | 2,000 |
| | | | **TOTAL** | **$306,350** | **$122,000** | **$17,787** |

## AB 3090 Advancements

It is the Commission's policy to encourage local agencies who wish to use local funds to advance the delivery of projects programmed in the STIP when state funds are not sufficient to support direct project allocations. Under AB 3090 (1992), the Commission may approve an arrangement under which the local agency is programmed to receive either an undesignated replacement project or a cash reimbursement in a later fiscal year. Replacement projects are subject to reprogramming as funding conditions change, and so uncertainty in future funding creates a risk for the local agency. Cash reimbursements, on the other hand, represent another form of borrowing against the future. The reimbursements cannot be changed and have the highest priority, after GARVEE bond debt service, for any STIP capacity available in the year reimbursement is due. The local agency takes some risk that no STIP capacity may be available to make the reimbursement. The greater risk, however, is to the proponents of every other project programmed in the state. For this reason, the Commission's policy is to give preference to replacement projects wherever feasible. Generally, reimbursements are considered only where the source of local funds could not or would not be made available for an AB 3090 replacement project.

*Uncertainty in the availability of future STIP funding may reduce the willingness of local agencies to advance STIP projects…*

The Commission's policy is to ensure that the annual programming of cash reimbursements is no more than $200 million statewide and no more than $50 million for any single county. At the close of 2004, the Commission already had AB 3090 cash commitments of $125 million for 2006-07, $76 million for 2007-08, and $70 million for 2008-09.

Uncertainty in the availability of future STIP funding may reduce the willingness of local agencies to advance STIP projects in return for the promise of a replacement project at an uncertain future date. The uncertainty of future funding also makes it more problematic for the Commission to approve an AB 3090 cash reimbursement, knowing that insufficient funding will mean that other projects will be delayed in order to provide the reimbursement.

**Outlook for the 2006 STIP and SHOPP**

Notwithstanding the cash flow challenges for the 2004 STIP, the 2006 STIP and SHOPP could have a modest level of capacity for new project commitments in 2009-10 and 2010-11,

- if added toll bridge seismic retrofit costs are not taken from existing STIP revenues,
- if the federal reauthorization act meets prior expectations,
- if the Governor and Legislature do not suspend Proposition 42 transfers, and
- if transportation loans are repaid on time.

Assuming the programming capacity identified in the 2004 STIP fund estimate, making adjustments for the recent federal ethanol fix and the impacts of the 2004-05 state budget, and projecting current revenue estimates into 2009-10 and 2010-11 yields the following rough estimate of potential new capacity for the 2006 STIP and SHOPP:

*The funding of additional SHOPP needs (perhaps $1-2 billion) will need to be considered as part of the 2006 STIP fund estimate…*

**Projection of Potential New 2006 STIP/SHOPP Capacity**
($ millions)

| | |
|---|---|
| $1,672 | State Highway Account, 2009-10 and 2010-11 |
| 146 | Less committed GARVEE debt service, 2009-10, 2010-11 |
| $1,526 | Net new capacity, State Highway Account |
| 1,300 | Proposition 42 TIF transfers, 2009-10 and 2010-11 |
| 140 | Public Transportation Account, 2009-10 and 2010-11 |
| **$2,966** | **Potential 2006 STIP/SHOPP capacity projection** |

This is not a STIP forecast or estimate. It is but a rough estimate of the capacity potential for both the STIP and SHOPP if all current revenue sources remain intact and are projected into the future. It assumes that annual TIF transfers will resume and that all loans to the General Fund are repaid. The funding of additional SHOPP needs (perhaps $1-2 billion) will need to be considered as part of the 2006 STIP fund estimate and would have to come from this capacity. The 2006 STIP fund estimate will cover the five-year period from 2006-07 through 2010-11 and govern both the 2006 STIP and the 2006 SHOPP.

*…over $3.6 billion of 2006 STIP capacity is at risk if there is no fix for the structural imbalance in the state budget…*

However, over $3.6 billion of 2006 STIP capacity is at risk if there is no fix for the structural imbalance in the state budget and if transportation funds are not protected by the California Constitution. The amount at risk includes:

**STIP Transfers at Risk**
($ millions)

| | |
|---|---|
| $ 238 | Prop 42 TIF transfer, 2005-06 |
| 438 | Prop 42 TIF transfer, 2006-07 |
| 540 | Prop 42 TIF transfer, 2007-08 |
| 230 | TDIF transfer, 2007-08 (repayment for 2004-05 TIF suspension) |
| 620 | Prop 42 TIF transfer, 2008-09 |
| 260 | TDIF transfer, 2008-09 (repayment for 2003-04 TIF suspension) |
| 640 | Prop 42 TIF transfer, 2009-10 |
| 660 | Prop 42 TIF transfer, 2010-11 |
| **$3,626** | **Total STIP gasoline sales tax transfers at risk** |

*Without [a] budget fix or constitutional protection, the Commission faces a 2006 STIP in which no new projects are added and many, perhaps most, current projects are deleted.*

These figures illustrate the importance of correcting the state budget structural imbalance or protecting transportation funds from the annual budget process. Without that budget fix or constitutional protection, the Commission faces a 2006 STIP in which no new projects are added and many, perhaps most, current projects are deleted. The decision on Proposition 42 transfers for 2005-06 will drive the 2006 STIP fund estimate and have implications for the long-term viability of the program.

*The decision on Proposition 42 transfers for 2005-06 will drive the 2006 STIP fund estimate and have implications for the long-term viability of the program.*

In the absence of funding protection, an alternative approach to the 2006 STIP would be to develop a tiered STIP, with one tier based on the funding level that can be assumed with some level of confidence and the other based on at-risk funding. In that case, the first tier would delete many or most projects and delay the rest by two years or more. The second tier could hold project schedules and add new projects for 2009-10 and 2010-11. This approach might paint the clearest picture of the effects of uncertainty on the state transportation program. But the uncertainty hardly meets the statutory intent for the STIP in SB 45 (1997), to be "a resource document to assist the state and local entities to plan and implement transportation improvements and to utilize available resources in a cost-effective manner."

# ISSUES FOR 2005

## Outlook for the Traffic Congestion Relief Program

The Traffic Congestion Relief Program (TCRP) consists of the 141 specific projects that were designated by the Governor and the Legislature for $4.9 billion in the Traffic Congestion Relief Act of 2000. The program has a history of promises unfulfilled, and it has been faced with unstable funding and an uncertain future ever since it was first created. Funds originally intended for the program have been repeatedly withheld, postponed, or borrowed for the General Fund. At one point, in November 2003, the Governor actually proposed to repeal the program altogether. The Commission has not been able to approve any new allocations for TCRP projects since December 2002, and the Legislature has provided just enough funding over the last 2 years to continue reimbursements for projects already allocated.

*The program has a history of promises unfulfilled, and it has been faced with unstable funding and an uncertain future ever since it was first created.*

In mid-2004, the Governor and Legislature approved the dedication of proceeds from tribal casino revenue bonds to the repayment of transportation loans, with $290 million to be made available for the TCRP. The bonds, however, are tied up in litigation, and the prospects for new TCRP funding this year remain highly uncertain.

The TCRP is funded through the Traffic Congestion Relief Fund (TCRF), which was created by the TCR Act for that purpose. The TCRP was scheduled to be funded through the TCRF with:

- $1.595 billion in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenue.
- $3.314 billion in transfers from the Transportation Investment Fund (TIF), originally scheduled in statute over the years from 2001-02 through 2005-06, and now scheduled from 2003-04 through 2007-08. The transfers were to be $678 million per year for the first four years and the balance of $602 million in the fifth year. The TIF derives its revenues from the sales tax on gasoline.

The original $4.9 billion commitment was to be funded entirely from the General Fund and gasoline sales tax. To date, however, progress on TCRP projects has been slowed by the continuing uncertainty over program funding. Most of the state funds expended on the TCRP have actually come from funds diverted from the STIP.

**Program Status**

By December 2004:

- The California Transportation Commission had approved $3.841 billion in TCRP project applications, including at least one application for each of the 141 designated projects. An application defines the scope, cost, and schedule of a particular project or project phase. Application approval is equivalent to project programming and generally includes project expenditures planned for future years.
- Of the $3.841 billion in application approvals, the Commission had approved $1.494 billion in project allocations. An allocation encumbers state funding for a particular project or project phase.
- Of the $1.494 billion allocated, $1.116 billion had been expended and invoiced.
- The Commission had received another $314 million in allocation requests and had received a report from Caltrans that another $1.7 billion in projects would be ready for allocation in 2004-05.
- The Commission had approved $269 million in letters of no prejudice (LONPs). Under a letter of no prejudice, a local agency may expend its own funds on a project and qualify for later reimbursement when and if funds become available.
- The Commission had received another $595 million in requested LONPs, which it had placed on a pending list, without approval.

*The Commission has not made any new project allocations since December 2002…*

The Commission has not made any new project allocations since December 2002, when it became evident that TCRF revenues might not be sufficient to fund the TCRP allocations that had already been approved, much less to fund additional allocations. At that point, the Governor had proposed to suspend General Fund transfers to the TIF, and thus TIF transfers to the TCRF, to help close the General Fund deficit. Since then, the Governor and Legislature have suspended scheduled TIF transfers and provided just enough to continue funding existing TCRP allocations.

## Program Challenges and Opportunities

The funding outlook for the TCRP in 2005 and later years will depend on whether or not the Governor and Legislature decide to continue suspending scheduled Proposition 42 TIF transfers, and whether and when loan repayments due to the TCRP are made. At present, the scheduled transfers and loan repayments due to the TCR include:

*The funding outlook for the TCRP in 2005 and later years will depend on whether or not the Governor and Legislature decide to continue suspending scheduled Proposition 42 TIF transfers, and whether and when loan repayments due to the TCRP are made.*

**TCRP Scheduled transfers and loan repayments**
($ millions)

| | |
|---|---|
| $ 290 | Tribal casino bond proceeds (AB 687) |
| 678 | Proposition 42 TIF transfer, 2005-06 |
| 678 | Proposition 42 TIF transfer, 2006-07 |
| 602 | Proposition 42 TIF transfer, 2007-08 |
| 678 | TDIF transfer, 2007-08, repayment of suspended 2004-05 TIF transfer |
| 389 | TDIF transfer, 2008-09, repayment of suspended 2003-04 TIF transfer |
| 192 | TDIF transfer, 2008-09, AB 687 shift of TCRF to local road program |
| **$3,507** | **Total revenues due, Traffic Congestion Relief Program** |

The annual TIF transfers ($1.958 billion) are covered by Article XIX B of the California Constitution, added by Proposition 42 (2002). Under Proposition 42, the transfer may be suspended for a fiscal year only if a fiscal emergency is declared by the Governor and is approved by a 2/3 vote of each house of the Legislature in a bill separate from the annual budget act. In 2003-04, the TIF transfer was partially suspended, and in 2004-05, it was fully suspended. Each time, the Legislature treated the suspension as a loan, with the repayment to be made through the Transportation Deferred Investment Fund (TDIF) in a future year. These future TDIF payments ($1.259 billion) are not covered by the constitutional protection of Proposition 42.

## Tribal Casino Revenue Bonds, AB 687

In mid-2004, the Governor negotiated tribal compacts that were ratified by the Legislature in AB 687. AB 687 also authorized the issuance of bonds against state revenues from tribal casino revenue to repay up to $1.5 billion in transportation loans. Of the first $1.214 billion in proceeds, $290 million would be dedicated to the TCRP. If proceeds exceed $1.214 billion, the remainder (up to $286 million) would be used to repay the TDIF payment due in 2007-08 as a result of the TIF suspension in 2004-05.

The sale of the authorized bonds was at first delayed by Propositions 68 and 70, two casino revenue initiatives on the November 2004 ballot. Passage of either would have effectively nullified the compacts. Both initiatives were defeated. However, the bonds face other legal hurdles and are more complicated than typical state borrowings.

The tribal casino bonds face a legal challenge from *Glendon B. Craig, et al v. Arnold Schwarzenegger et al,* which challenges the urgency provision of AB 687. The plaintiffs contend that AB 687, which ratified the gaming compacts, grants geographic monopolies to the tribes, thereby violating a provision of the California Constitution that bars the Legislature from granting any special privilege or franchise in an urgency statute. Until the legal challenge is resolved, the bonds will not be sold. That places the timing and availability of this $290 million in doubt.

**<u>Program Outlook for 2005</u>**

During the 2004-05 budget hearings, the Commission was asked to develop the cash needs for a series of options ranging from closing out the TCRP to funding it fully. Based upon the information received from regional agencies, the implementing agencies, and Caltrans, the Commission estimated that the following cash transfers would be needed, assuming that new TCRP allocations were not restricted:

**Estimated TCRP Cash Needed to Meet Project Schedules**
($ millions)

| | Cash in 2004-05 | Cash in 2005-06 |
|---|---|---|
| For prior allocations | $163 | $ 65 |
| For existing letters of no prejudice | 6 | 113 |
| New non-construction allocations | 197 | 254 |
| New construction allocations | 132 | 329 |
| **Total cash needs** | **$498** | **$761** |

*…$290 million in TCRP funding anticipated from the tribal casino bonding… would clearly be insufficient to meet… project cash demands for 2004-05, even if it becomes available.*

Additional cash needs were estimated at $866 million for 2006-07 and $1.546 billion for later years.

The 2004-05 budget provided only the $163 million need to support current expenditures on projects with prior allocations. The additional $290 million in TCRP funding anticipated from the tribal casino bonding authorized under AB 687 would clearly be insufficient to meet the remaining TCRP project cash demands for 2004-05, even if it becomes available. If it does become available, the Commission will need to determine TCRP priorities for applying the bond proceeds.

Current Commission policy is that up to one-half of any new TCRP allocations would be dedicated to retiring existing

LONPs. AB 687, however, specifies that the interest on the bonds shall, to the greatest extent feasible, be exempt from federal taxation. To qualify for the tax exemption, the bond proceeds generally cannot be used to reimburse prior capital expenditures. That would effectively preclude their use to retire LONPs.

*If… $290 million becomes available for new allocations… The Commission will look to the Governor and Legislature for guidance.*

Whether any new capacity comes from the tribal casino bonds or from other transfers, the Commission will need to consider whether it can or should assume that additional funding will follow. Projects allocated funds in any one year will generally expend funds over an average of three years. If, for example, $290 million becomes available for new allocations, the Commission would need to decide whether to

- limit its allocations to $290 million, because future transfers are not assured, or
- allocate more than the $290 million, because the $290 million would be sufficient to cover first-year expenditures, and assuming that sufficient future transfers would be made to cover expenditure needs in later years.

The Commission will look to the Governor and Legislature for guidance. The history of the program suggests the more conservative approach unless the Governor and Legislature provide assurance of their intent that the Commission assume that future transfers and repayments will be made as scheduled. The first approach would allow a relatively small number of TCRP projects to proceed, while leaving a larger number of projects to be held in abeyance, either to be completed with lengthy delays while local and other funds are secured or to be truncated to match other funding available. The latter approach could allow perhaps $1 billion in projects to be started, with the remaining funds to come from later transfers.

The continuing uncertainty in funding for the TCRP makes it difficult for the Commission, the Department, regional agencies, and local implementing agencies to plan, program, and implement TCRP projects. The delivery outlook for TCRP projects depends largely on the confidence of implementing agencies that transfers and repayments to the TCRF will actually occur as scheduled. The continuing postponements and suspensions of TIF and TCRF transfers, the suspensions of TCRP project allocations, and the threat that current allocations might not be reimbursed have all worked to erode that confidence. For most projects, the



TCRP commitment provides only a portion of the project's cost, requiring that a funding package be assembled that includes other sources. In many cases, project delivery depends on the willingness and ability of an individual agency to provide other funding sources to keep a project alive and moving.

*The history of suspended transfers and TCRF loans indicates that the TCRF is a vulnerable and unreliable source of project funding.*

The history of suspended transfers and TCRF loans indicates that the TCRF is a vulnerable and unreliable source of project funding. Generally, the projects that are proceeding are those sponsored by agencies that are the least reliant on TCRF funding for reimbursement. As of December 2004, the Commission had approved $269 million in TCRP letters of no prejudice (LONPs). Another $595 million in LONPs is pending Commission action. Other agencies have proceeded with TCRP projects using STIP funds, hoping to recover the TCRF funding at a later date. At the same time, the Commission is holding $314 million in TCRP allocation requests, waiting for assurance that funding will be sufficient to proceed with them. In December 2004, Caltrans reported that another $1.7 billion in projects should be ready for allocation in 2004-05 (including $869 million ready for construction). Without some assurance that TCRP funding will become available, it is likely that some of these projects will be delayed further or dropped altogether.

*Without some assurance that TCRP funding will become available, it is likely that some of these projects will be delayed further or dropped altogether.*

The following tables list the TCRP projects identified by Caltrans as either ready now or to be ready by June 2005:

## Traffic Congestion Relief Program
## Construction Projects Ready in 2004-05
($1,000's)

| # | Project Description | New 2004-05 Allocation | Pending STIP Allocation | STIP FY |
|---|---|---|---|---|
| 9.2 | Capitol Corridor; improve between Oakland and San Jose (Emeryville station) | $ 2,925 | | |
| 26 | ACE Commuter Rail; add siding on UPRR line in Livermore Valley in Alameda Co. | 1,000 | $ 1,000 | 07/08 |
| 27.1 | Vasco Rd, Alameda & Contra Costa (Vasco Rd re-alignment) | 6,350 | 1,400 | 08/09 |
| 27.2 | Vasco Rd, Alameda & Contra Costa (Vasco Rd ACE parking) | 1,204 | | |
| 28 | Parking Structure at Transit Village at Richmond BART Station | 4,320 | 2,000 | 06/07 |
| 32.5 | North Coast Railroad; environmental remediation projects | 2,954 | | |
| 35.2 | Pacific Surfliner; triple track intercity rail line within Los Angeles County | 66,936 | | |
| 35.3 | Pacific Surfliner; fifth lead track, Los Angeles County | 4,675 | | |
| 37.1 | Los Angeles Mid-City Transit Improvements; Wilshire Bus Rapid Transit | 180,700 | | |
| 38.2 | Los Angeles-San Fernando Valley Transit Extension; North-South bus transit | 98,000 | | |
| 44 | Rte 47 (Terminal Island Fwy); interchange at Ocean Blvd Overpass in Long Beach | 2,726 | | |
| 54.1 | Alameda Corridor East; grade separations, Los Angeles County | 68,995 | 1,042 | 08/09 |
| 54.2 | Alameda Corridor East; grade separations, Los Angeles County (Santa Fe Springs) | 15,300 | 14,489 | 07/08 |
| 54.3 | Alameda Corridor East; grade separations, Los Angeles County (Pico Rivera) | 4,400 | | |
| 58 | Route 10; widen freeway through Redlands, Route 30 to Ford Street | 5,704 | 12,473 | 04/05 |
| 63 | Route 60; add 7 miles of HOV lanes west of Riverside, Rte 15 to Valley Way | 21,000 | 7,381 | 04/05 |
| 70.2 | Route 22; HOV lanes, Route 405 to Route 55 in Orange County (design/build HOV) | 123,700 | | |
| 73 | Alameda Corridor East; (Orangethorpe Corridor) grade separations in Orange Co. | 11,800 | 3,300 | 04/05 |
| 74.1 | Pacific Surfliner; within San Diego Co. (Oceanside double tracking) | 5,500 | | |
| 74.3 | Pacific Surfliner; within San Diego Co. (maintenance yard) | 32,750 | | |
| 75.2 | San Diego Transit Buses; low-emission buses (NCTD) | 7,700 | | |
| 79 | North County Light Rail; Oceanside to Escondido in San Diego County | 80,000 | | |
| 83.1 | Route 15; managed lane project north of San Diego (Stage 1) (Transit elements) | 23,000 | | |
| 90 | Route 99, widen freeway to 6 lanes, Kingsburg to Selma | 16,140 | 42,616 | 05/06 |
| 91 | Route 180; new expressway, Clovis Ave to Temperance Ave in Fresno County | 7,439 | 36,781 | 08/09 |
| 92 | San Joaquin Corridor; improve track & signals near Hanford in Kings County | 10,000 | | |
| 95 | Route 41; improvements at Friant Road interchange in Fresno | 8,070 | | |
| 96 | Friant Road; widen to four lanes from Copper Avenue to Road 206 in Fresno County | 9,488 | | |
| 97.1 | Operational improvements near California State University at Fresno (City of Clovis) | 215 | | |
| 97.2 | Operational improvements near California State University at Fresno (City of Fresno) | 5,782 | | |
| 99.2 | San Joaquin Corridor; improve track and signals (Stockton to Escalon) | 12,000 | 24,200 | 08/09 |
| 103 | Route 99; improve interchange at Seventh Standard Road, north of Bakersfield | 6,100 | | |
| 107 | Route 205, widen freeway to 6 lanes, Tracy to I-5 | 25,000 | 66,327 | 06/07 |
| 112 | Jersey Avenue; widen from 17th Street to 18th Street in Kings County | 1,500 | | |
| 118 | Sacramento Clean Air/Transportation Plan; reduce diesel engine emissions | 34,500 | | |
| 119.2 | Low emission replacement buses (Yolo bus service operations) | 1,227 | | |
| 123 | Oceanside Transit Center; parking structure | 590 | | |
| 159 | Route 101, Steele Lane interchange, Sonoma County | 6,000 | 13,759 | 04/05 |
| | **Total** | **$915,690** | **$226,768** | |

## Traffic Congestion Relief Program
## Non-Construction Projects Ready in 2004-05
($1,000's)

| # | Project Description | Phase(s) | New 2004-05 Allocation | Pending STIP Allocation | STIP FY |
|---|---|---|---|---|---|
| 1.1 | Extend BART to Downtown San Jose (Fremont to Warm Springs) | ROW | $ 40,000 | | |
| 1.2 | Extend BART to Downtown San Jose (Warm Springs to San Jose) | Design, ROW | 568,567 | | |
| 2 | Fremont-South Bay Commuter Rail; BART to San Jose (Alt project) | ROW | 35,000 | | |
| 11 | San Francisco Bay Southern Crossing; feasibility and financial studies | Env | 1,800 | | |
| 12.1 | Bay Area Transit Connectivity: I-580 Corridor study and improvements | Env | 5,000 | | |
| 14 | CalTrain; extension to Salinas in Monterey County | Design, ROW | 12,115 | | |
| 16.2 | Route 4 improvements, Contra Costa County (Loveridge Rd) | ROW | 9,000 | $ 11,000 | 05/06 |
| 30 | Commuter rail service, Marin-Sonoma | Env | 1,200 | | |
| 32.3 | North Coast Railroad; complete of rail line from Willits to Arcata | Design | 600 | | |
| 32.4 | North Coast Railroad; upgrade rail line to Class II or III standards | Env, Design | 600 | | |
| 32.7 | North Coast Railroad; local match funds | Design | 180 | | |
| 32.9 | North Coast Railroad; long term stabilization projects | Env,Design,R/W | 6,030 | | |
| 40 | Route 10; add HOV lanes over Kellogg Hill, near Pomona | Design, ROW | 37,959 | 35,848 | 05/06 |
| 42.2 | Route 5; widen to 10 lanes (Segment B, Rte 605 interchange to Rte 710) | Env, Design | 8,000 | | |
| 42.3 | Route 5; widen to 10 lanes (Segment C, Rte 710 interchange) | Env, Design | 8,000 | | |
| 43 | Route 5; improve Carmenita Road Interchange in Norwalk | ROW | 33,460 | 80,744 | 07/08 |
| 46 | Route 1; reconstruct intersection at Route 107 in Torrance | Env,Design,ROW | 1,300 | | |
| 47 | Route 101; California Street off-ramp in Ventura County | Design, ROW | 3,380 | | |
| 50 | Route 71; complete 3 miles of 6-lane freeway through Pomona | ROW | 17,000 | | |
| 59 | Route 10; Live Oak Canyon Interchange, Yucaipa | ROW | 330 | | |
| 77 | Route 94; downtown San Diego to Rte. 125 in Lemon Grove | Env | 6,000 | | |
| 80 | Mid-Coast Light Rail; extend Old Town light rail to Balboa Ave | Design | 4,411 | 4,000 | 05/06 |
| 88 | Route 5; realign at Virginia Av, approaching San Ysidro Port of Entry | Design | 7,000 | | |
| 98 | Peach Ave; widen to 4 lanes, ped overcrossings for 3 schools, Fresno | ROW | 2,200 | | |
| 105 | Route 99; 6-ln fwy, Madera Co Line to Buchanan Hollow Rd, Merced Co. | ROW | 1,700 | | |
| 106 | Campus Parkway; in Merced County from Route 99 to Bellevue Road | Design, ROW | 1,440 | 2,045 | 07/08 |
| 109 | Route 132; 4-lane expressway in Modesto, Dakota Avenue to Route 99 | ROW | 1,859 | | |
| 115 | South Line Light Rail; extend 3 miles, Sacramento County | ROW | 6,940 | | |
| 116 | Route 80 Light Rail Corridor; double-track, Sacramento County | Design | 4,000 | | |
| 128 | Airport Road; reconstruction and intersection improvement, Shasta Co | Design, ROW | 293 | | |
| 157 | Route 12; improvements from Route 29 to I-80 through Jamison Canyon | Env | 1,900 | | |
| | **Total** | | **$827,264** | **$133,637** | |

# ISSUES FOR 2005

## Outlook for the State Aeronautics Program

The rapidly expanding role of aviation in moving people and goods in the global economy requires an examination of the State's role in commercial and business aviation. California's economic future is inextricably linked to providing the transportation infrastructure that will connect all areas of the State to the global economic system. If California is to remain competitive in the global economy, its aviation system must:

- be improved to facilitate significant growth in air passenger and cargo movement,
- provide access for and fully integrate increasing business and corporate aviation,
- ensure mobility around airports,
- mitigate the adverse community impacts of aviation, and
- continue a high quality of life for our citizens.

*A reassessment of the state role in aviation is needed to ensure that California remains competitive.*

California cannot meet these goals for its aviation system if it continues to leave aviation decision-making to the vagaries of local politics and priorities alone. The State should take responsibility—in cooperation with local, regional, and federal agencies—for providing the leadership and resources needed to develop the aviation system essential to our economy in the 21st Century. A reassessment of the state role in aviation is needed to ensure that California remains competitive.

**Aviation Planning**

The policy element of the California Aviation System Plan (CASP) defines the State's continuous aviation system planning process. It defines the roles of federal, State, regional and local participants in the process. The policy element also covers issues affecting aviation and its relationship with other modes and defines the policies and implementing actions for guiding Caltrans Division of Aeronautics activities and CASP development, including funding priorities for general aviation and commercial service airports in California.

Caltrans' role is planning and assisting the infrastructure and capacity development and maintenance of the airport system,



*Options for increased funding of the State aviation program*



and the funding limitations that restrict the Caltrans role continue to be issues emphasized in the current Policy Element. Options for increased funding of the State aviation program have been discussed for years, but no action has yet been taken.

The Commission's role is to provide policy direction to Caltrans in the development of the aeronautics plans and programs, adopt the CASP and its various elements, program projects in the Aeronautics Program, and allocate funds.

**Existing State Aviation Funding**

Annual revenue deposited in the State Aeronautics Account in recent years is approximately $7.25 million. The Aeronautics Account is the sole State source of funding for the Division of Aeronautics and the programs it administers. The revenue sources are an 18-cent per gallon motor vehicle fuel excise tax on general aviation gasoline and a two-cent per gallon excise tax on general aviation jet fuel. Air carrier and military aircraft and aviation manufacturing are exempt from the two-cent per gallon excise tax on jet fuel.

The latest available data show that state and local governments collect about $215 million in tax revenues from aviation annually, and that only about $8 million of that is directed to address aviation needs. The tax revenues not applied to aviation include about $168 million in sales tax on jet fuel, $10 million in sales tax on general aviation aircraft, and $30 million in property tax. If only a portion of these revenues were used to address aviation needs, California could make significant progress in implementing state priorities for increasing airport capacity and safety, enhancing air passenger mobility, improving air cargo efficiency, and mitigating the impacts of airport operations on local communities.

The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy. The events of September 11, 2001 emphasized the critical role aviation plays in our economy, and they have increased the need for investment in security measures to keep the aviation system operating. The Commission supports redirecting state sales tax revenues from the sale of jet fuel to fund state aviation programs. These tax revenues are a "user fee" paid by the aviation industry and users, in the same way that sales tax

*The Commission has long supported increasing state funding to develop an integrated system of airports that adequately meets the demands of California's economy.*

revenues on gasoline and diesel fuel, currently directed to highway and transit program funding, are user fees on drivers.

*The Commission supports redirecting state sales tax revenues from the sale of jet fuel to fund state aviation programs.*

**Aeronautics Issues for the New Millennium**

The Commission, based on proposals from its Technical Advisory Committee on Aeronautics (TACA), recommends that the Legislature and the Administration act to address state aviation system needs through legislation that would:

- Provide a stable funding source of $15 million per year from the jet fuel sales tax for the Aeronautics Account, to be programmed and allocated by the Commission to publicly owned general aviation airports for airport security, safety, capacity needs and comprehensive land use compatibility plans.
- Amend the California Constitution to limit the use of all Aeronautics Account revenue derived from general aviation to funding for general aviation projects.
- Strengthen compatible land use statutes by requiring that proposals for privately funded and charter schools be subject to oversight by the appropriate Airport Land Use Commission.

At the Commission's direction, TACA will work in 2005 with representatives of the Business, Transportation and Housing Agency and the Department to:

- identify potential roles and policies for the state in developing California's aviation system, particularly in reviewing the policy element of the California Aviation System Plan,
- support appropriate legislative proposals that would:
  1) increase funding for Caltrans to assist smaller airports in securing state and federal aviation grants, to ensure that California receives the maximum amount of federal funding and uses state funds effectively.
  2) restructure the funding of state aviation activities so that those who benefit from those activities, both commercial and general aviation, pay for them; and
  3) dedicate all Aeronautics Account revenues derived from general aviation to general aviation purposes.
- authorize and fund the Caltrans Division of Aeronautics to provide information to pilots and business aviation

departments to promote the use of a larger number of California's airports and better use existing system capacity. Existing and newly upgraded facilities often are not used to their potential because of the habits companies develop. Caltrans could help to manage both highway congestion and runway congestion by marketing alternatives to congested airports that are within a convenient distance of major business destinations.

**Air Transportation Issues Identified by Caltrans**

Under Section 14051 of the Government Code, Caltrans is required to submit to the Legislature at the commencement of each regular session a report regarding its programs. With reference to air transportation, subdivision (c) of Section 14051 requires that Caltrans provide:

1) An evaluation of significant air transportation issues anticipated to be of public concern during the five-year period commencing January 1 of the year preceding the date for submission of the report and beyond.
2) Recommended modifications to state and federal law, where appropriate.
3) An overview of necessary future investments in the development and maintenance of the state's air transportation system.
4) An analysis of the department's organizational and staff needs relative to its air transportation responsibilities.
5) A review of state aeronautics policy.

The following is a synopsis of the Department's identification of significant air transportation issues for 2005:

The Caltrans Division of Aeronautics is primarily involved with the general aviation component of aviation transportation. The commercial service component, scheduled airline passenger and cargo transportation is almost exclusively the province of the Federal Aviation Administration (FAA) and the Transportation Security Administration (TSA). Historically, the FAA is charged with the safety of the air transportation system for commercial service, including those airports used by commercial air service operators, and the funding of capacity improvement projects at commercial service airports. More recently, the TSA was charged with security against terrorist acts involving commercial service aircraft and airports. Both federal agencies generally leave responsibility for general aviation airport funding, safety, and capacity to the states.

In May 2004, the TSA issued its Security Guidelines for General Aviation Airports. As a result, over the next several years there is likely to be pressure from cities and counties who own nearly all of California's 224 public-use general aviation airports to seek state funds to improve airport security.

In 2003, Congress enacted Vision 100—Century of Aviation Reauthorization Act, which increased federal AIP grant funding to 95% of project costs for the next four years, up from 90%. The reauthorization also continued the entitlement program for general aviation airports, so that eligible airports may receive up to $150,000 annually for the next four years. The changes resulting from Vision 100 will likely put increased demand on Aeronautics grant aid programs since, by state law, the Aeronautics Program is required to provide local assistance at 5% of the federal grant amount.

Lastly, the transfer of $6 million from the Aeronautics Account to the General Fund in 2002-2003, and another $4.8 million transferred in 2003-2004, intended to reduce the overall state budget deficit, have adversely impacted the ability of the Commission to meet financial assistance demands from the Aeronautics Program.


# ISSUES FOR 2005

## Goods Movement

*The efficient movement of goods is essential to the prosperity of California.*

California's economy is fueled by the production, consumption and movement of goods and services. The efficient movement of goods is essential to the prosperity of California. California's transportation system is the lifeline of the State's domestic and international trade.

The State's mature transportation system of roads, rail lines, pipe lines, airports and seaports serves a diverse range of needs for the movement of goods. The goods movement transportation system provides for the movement of local, regional, interregional, interstate and international commerce. The system supports the economy by delivering raw materials, intermediate goods, and finished products to production, consumption, and disposition points.

The State's goods movement system is an interconnected, multimodal transportation network. However, each network piece has multiple, quite often disaggregated, public and private components, often with multiple owners and/or operators.

- Freight railroads are privately owned and operated. California's two largest railroad companies, Burlington Northern and Santa Fe Railroad, and the Union Pacific Railroad, provide inter- and intra-state freight service to industry, airports, and seaports. The freight railroads enter into contracts with Amtrak, Caltrans, and local and regional entities to permit operation of rail passenger service on their lines.
- Airport and seaport operators and federal agencies set policy for seaports and airports.
- Privately owned trucking companies operate on state, regionally and locally owned roadways.

All these operators and decision-makers function with varying degrees of autonomy, making statewide goods movement transportation planning and coordination time-consuming and challenging.

Rising goods movement volumes on California's transportation system are significantly impacting highway and rail capacity, congestion and mobility. California's ability to succeed economically rests on its ability to move goods reliably and efficiently, with minimal delay. "Just-in-time" delivery is the way of doing business throughout the state. In goods movement, time is money and products and services are only as good as their timely and reliable delivery. Growth demands of freight movement have reduced mobility and system reliability, and have increased transportation costs.

*The growth in international trade freight movement, as well as farm to market and intra-regional truck trips, is overwhelming our transportation system.*

A significant fraction of regional goods movement is associated with providing goods and services to the consumer markets in the region. This activity occurs over a network of highway corridors that serve population centers and, as such, they also carry substantial commuter traffic. Much of the regional goods movement involves local pickup and delivery and local product distribution activity.

Agricultural and local distribution activities, by their nature, will always involve trucks. No other mode provides a cost competitive and reliable enough alternative. Some existing city and county ordinances restrict delivery times and unloading locations which hamper the delivery of goods. The ability to add capacity in delivery corridors is highly constrained due to the outgrowth of the adjacent communities.

The growth in international trade freight movement, as well as farm to market and intra-regional truck trips, is overwhelming our transportation system. In 2003, $407 billion worth of U.S. trade ($293 billion in imports and $114 billion in exports) went through California's sea, air, and land ports. Nearly 80 percent of these exports and imports either originated in or were destined for some other state. The majority of international goods arrive through west coast ports with 40% coming from the Los Angeles and Long Beach ports alone. In addition to the direct effect on our economy from international commerce is the local and regional effect of economic activity from investment and transportation.

*One of the critical challenges facing goods movement is… to find new ways to negotiate, collaborate, and share resources to reach common goals and ensure California's prosperity.*

One of the critical challenges facing goods movement is that due to the varying degrees of autonomy, transportation planners, providers, and decision-makers will need to find new ways to negotiate, collaborate, and share resources to reach common goals and ensure California's prosperity. Another challenge that is critical to policy makers, transportation users, and transportation providers is to gain an understanding of the relationship between investments and transportation infrastructure and the performance of the freight system.

In January 2005, the Commission intends to establish a Goods Movement Advisory Committee. The Commission would recommend policy action that the Legislature and the Administration could consider in order to address the growing demand for goods movement and California's ability to remain competitive economically.

# ISSUES FOR 2005

## California Performance Review

During 2005, the Governor and Legislature can expect to be dealing with governmental reorganization proposals and other initiatives based on the California Performance Review (CPR) report issued in August 2004. The Governor took the initiative to create the CPR in 2004, demanding a "total review of state government—its performance, its practices, its costs." The goal he laid out was to make California "a creative job-creating machine," a partner in the lives of the people, not a roadblock to their dreams.

*The goal [the Governor] laid out [in the CPR] was to make California "a creative job-creating machine," a partner in the lives of the people, not a roadblock to their dreams.*

The 2500-page report the Governor received was prepared over a 4-month period by a team of 275 state managers and employees assembled just for that purpose. According to the report, the CPR team consulted with 1800 other persons from academia, the private sector, and nonprofit organizations to develop a recommended reorganization of state government and more than 1200 issue-related recommendations. The report calculated that the recommendations had the potential to save the state more than $32 billion over 5 years.

One element of the reorganization proposal in the CPR report would eliminate the California Transportation Commission (CTC) and assign its functions to a new Infrastructure Authority within a new Infrastructure Department. The new Authority would be staffed by the Department. All infrastructure programs would be managed by the new Department and "led by" the Authority. The Authority would "serve as the Board of Directors for the Infrastructure Department," and the Secretary of the Infrastructure Department would "serve as the Chairperson of the Infrastructure Authority." The members of the Authority would serve 6-year terms. The proposal did not specify the number of members or the manner of their appointment, specifying only that the members "should bring to the Authority expertise in finance, infrastructure planning and design, the building and maintenance of infrastructure, as well as the program areas of transportation, water, energy, housing, and asset management."

Under the CPR proposal, most current functions of the Department of Transportation (Caltrans) would be placed in the Transportation Division of the Infrastructure Department.

Other operating divisions of the Infrastructure Department would include Telecommunications; Energy; Housing, Building, and Construction; Water; and Boating and Waterways. Programming and allocation functions for all operating divisions would be housed in the Department's Office of Planning, Programming, and Evaluation.

In addition to the reorganization proposals, the CPR report addressed specific issues and recommendations in a variety of areas, including one chapter devoted entirely to Infrastructure. The chapter on Infrastructure included 32 separate issue papers covering the broad range of state infrastructure issues, including at least 10 papers dealing with issues and recommendations of interest to the California Transportation Commission. Among other things, the papers addressed proposals for high-occupancy toll (HOT) lanes, the relinquishment of State highway routes, the protection of state transportation funding, study of the feasibility of a vehicle miles traveled fee, and infrastructure planning and programming,

The Governor referred the CPR report to a specially-appointed CPR Commission to hold public hearings and make recommendations regarding the implementation of the CPR recommendations. The CPR Commission made its 12-page report to the Governor in November 2004, after holding 8 public meetings. The CPR Commission supported, in concept, the major reorganization proposals and said that this was especially true with regard to the establishment of an Infrastructure Department. The CPR Commission report did note that "there is valid concern that expertise must be maintained and the state/local process be respected, particularly in the areas of transportation and water." The CPR Commission recommended that the Administration evaluate the boards and commission proposed for elimination in accordance with several criteria:

- Does the entity serve a worthy state purpose.
- Consistent application of law and development of regulations.
- Independence is critical for operations.
- Some statutory boards and commissions should be transitioned to advisory boards, appointed by agency secretaries and department directors.
- Protect public health and safety.
- Boards enabling the state to receive federal funds.
- Limit pay for board and commission members.

- Boards and commissions should not have line operational functions.

**Reorganization Proposal by the Governor**

The next step will be for the Governor to define a reorganization proposal, or set of proposals, that he intends to present formally to the Legislature. State law, in Government Code Sections 12080-12081.2, provides an accelerated process for approval of government reorganizations:

- First, the Governor must submit the reorganization plan, including statutory changes required, to the Little Hoover Commission (LHC) at least 30 days prior to submitting it to the Legislature.
- The LHC has until 30 days after the submittal to the Legislature to review the proposal, hold hearings, and report its recommendation to the Governor and Legislature. The means the LHC has at least 60 days, possibly more, to review the proposal. The LHC cannot change or reject the proposal. It can only give its advice.

*The reorganization plan… supersedes any prior statute with which it is in conflict.*

- Upon receipt of the plan, the Legislature must refer it to a standing committee for study and a report to be completed by the end of 50 days (20 days after the LHC report is due).
- After the standing committee submits its report, or after 50 days if the committee fails to submit a report, either the Assembly or Senate may pass a resolution rejecting the plan. If neither house does so by 60 days after the Legislature received it, the reorganization becomes law. The reorganization plan then supersedes any prior statute with which it is in conflict. The Legislative Counsel is charged with drafting a cleanup bill to clarify the statutes in the following legislative session, but failure to enact such a bill does not invalidate the reorganization itself.

All references to days in this timeline refer to calendar days. They do not count any period when the Legislature is not in session or is in recess for more than 10 calendar days.

**Comment on CPR Reorganization Proposal**

On September 27, 2004, the California Transportation Commission (CTC) provided its comments to the CPR Commission on matters in the CPR report pertaining to



transportation policy or to the function of the CTC. The comments were in two parts, the first dealing with the reorganization proposal and the other with recommendations identified in various issue papers in the CPR report.

With regard to the CPR reorganization proposal, the CTC offered the following specific comments:

The CPR report provides no description of the purposes and duties of the CTC, and it provides no analysis of the CTC's functions or performance. The report describes the CTC only as one of many boards and commissions that exist within the executive branch, not accountable to the electorate through the Governor.

*The report describes the CTC only as one of many boards and commissions that exist within the executive branch, not accountable to the electorate through the Governor.*

Purpose and function of the CTC. The CTC was created as a quasi-legislative authority. It is not a Board of Directors for the Department of Transportation. It has no authority or responsibility (and thus no accountability) for the Department's personnel or its operations. Those are functions of the Governor and the executive branch. The CTC has no authority or responsibility for the Department's operating budget. That is the responsibility of the Legislature, working directly with the Governor. The CTC's primary responsibilities are to make the project-specific and location-specific decisions delegated to it by statute. The Commission includes two legislators as ex-officio members and 9 commissioners serving 4-year terms, appointed by the Governor and confirmed by the Senate. For example:

- The budget appropriates capital funding for projects in the state transportation improvement program (STIP) and the state highway operation and protection program (SHOPP). The appropriations are not project specific. The budget makes the appropriations subject to allocation by the CTC to specific projects.
- The statutes mandate that the CTC adopt the STIP, a multiyear plan for the allocation of appropriated funds to projects. The projects include projects on the State highway system, local roads, intercity rail, and local transit systems. The law prescribes a general process under which regional transportation agencies play a major role in developing regional transportation plans and identifying projects while the Department is responsible for developing plans for interregional improvements and identifying projects.

- The statutes mandate that the CTC adopt specific procedures for carrying out its programming and allocation responsibilities, all in consultation with the Department and the regional agencies. These include the adoption of the fund estimate on which each STIP is based and the adoption of STIP guidelines describing the programming process.
- The CTC's mandate includes making final project-specific funding decisions, determining priorities when project funding does not match project delivery.
- Other authorities delegated to the CTC include the adoption of route locations, the approval of findings of need for specific properties to allow condemnation to proceed (resolutions of necessity), and approval of the terms of sale or relinquishment of State highway property.

*The purpose of the Commission's authority is to provide for specific, timely, deliberative, and consultative decision-making in an open forum that could not be accomplished in a practical way by either an administrative agency or the Legislature.*

The purpose of the Commission's authority is to provide for specific, timely, deliberative, and consultative decision-making in an open forum that could not be accomplished in a practical way by either an administrative agency or the Legislature. This also protects transportation funding decisions from partisan logrolling and pork-barreling.

Need for interagency cooperation and consultation. The CPR report proposes a model of centralized planning and decision-making within a single very large state agency. It decries the expansion of the number of local government entities now involved in infrastructure planning, resulting in a "lack of singular accountability." Planning and decision-making for transportation funding, however, requires extensive and continuing consultation between state and regional agencies. State-controlled funds provide only a fraction of the funding for transportation projects, and many transportation facilities are owned, constructed, and operated by local agencies. Nothing in the CPR proposals would change that. Much of the funding, even for projects on the State highway system, is provided through local sales tax measures and from federal funds programmed directly by regional agencies.

*The CTC's accountability is to the Governor and the Legislature, as well as to the regional and local agencies with which it is in partnership.*

Accountability. The CPR report decries a lack of accountability by commissions generally and suggests that transparency (openness) is not as important as accountability. The CTC's accountability is to the Governor and the Legislature, as well as to the regional and local agencies with which it is in partnership. One means for that accountability


is in the very openness of CTC decision-making. Another is the CTC's annual report to the Legislature, mandated by statute to summarize the year's allocation decisions, to explain and summarize major policies and decisions adopted during the year, and to identify timely and relevant transportation issues facing the state. One of CPR's stated goals is putting people first. Transferring decision-making from the CTC to a centralized bureaucracy within the executive branch will only make that decision-making less responsive to the people. Democracy is diminished when the opportunity for public input is effectively taken away.

*The independence, focus, and openness of the CTC allow it to act as a public forum for airing and resolving transportation issues…*

Public forum, broker. The independence, focus, and openness of the CTC allow it to act as a public forum for airing and resolving transportation issues and to act as an effective broker for resolving differences between transportation agencies and interests from throughout the state, including Caltrans.

Advisory role. In addition to its decision-making authorities, the CTC is charged in statute to advise and assist the Secretary of the Business, Transportation, and Housing Agency and the Legislature in the formulating and evaluating state transportation policies and plans. That charge is carried out largely through the Commission's annual report, as described above.

Cost. The CPR report does not identify the specific cost savings anticipated by eliminating the CTC, but they would appear to be minimal. CTC commissioners now receive no salary. They serve for expenses plus a fee of $100 per day, up to a maximum of $800 per month. The staff resources now assigned to the CTC would apparently be reassigned to the proposed Infrastructure Department. The elimination of unpaid commissioners who now contribute their time and knowledge to transportation matters could actually increase the need for staff in the new Department.

### Comment on CPR Transportation-Related Issue Papers

The Commission also provided a set of specific comments on the 10 transportation-related issue papers found in Part IV (Issues and Recommendations), Chapter 4 (Infrastructure) of the CPR report. In general, the Commission observed that it was difficult to comment on many of the report's conclusions and recommendations because, in many cases, the issue papers provided too little explanation or analysis of the



reasons why the proposals have not been implemented before. The Commission suggested that all of the recommendations be examined more closely before they are advanced for implementation.

*The Commission suggested [in its specific comments] that all of the recommendations be examined more closely before they are advanced for implementation.*

The following were the recommendations that would require legislative action or budgeting, together with the CTC's recommendations:

<u>High-occupancy toll facilities (HOT lanes)</u>. The CPR report recommended legislation in 3 areas: (1) to authorize the Business, Transportation and Housing Agency to determine where and how HOT lanes will be developed and implemented; (2) to give the Metropolitan Transportation Commission (MTC) the authority to implement value pricing on Bay Area bridges (except Golden Gate), and (3) to specify that the cost of maintenance for Bay Area bridges (except Golden Gate) be paid from toll revenues, not the State Highway Account.

- The case-by-case consideration of HOT lanes may also need to consider local traffic conditions and regional support. The CTC and regional agencies should have some role in approving toll projects.
- HOT lanes should not be implemented primarily to raise revenues, even if revenues are used to cover project implementation. There should not be an incentive for a local or regional agency to use HOT lanes on a State highway to raise revenue for other purposes, even for other transportation purposes.
- The proposal to shift Bay Area toll bridge maintenance from the State Highway Account to toll bridge revenues is an entirely separate issue. It should not be regarded as a reason for implementing or a cost of implementing value pricing or HOT lanes.

<u>State highway route relinquishment</u>. The CPR report recommended that the state identify and relinquish about 13% of the State highway system to local agencies, referencing a 1995 Caltrans study. The report recommended that a relinquishment package be developed as an "all or nothing proposal, without the ability to add or remove any routes or portions of routes." It recommended that the Business, Transportation and Housing Agency develop a list and that the CTC hold a series of public meetings to receive comment and "produce a final list." It also recommended

that the Agency develop a long-term reduced staffing and operating expense plan to reflect the reduced mileage.

- This would require legislation. Under existing law, the CTC cannot force relinquishment on an unwilling local agency except where a section of old State highway is being superseded by a new alignment. New legislation could establish a process for a single all-or-nothing relinquishment.
- Though the CTC would support turning back what are essentially local streets to local agencies, this action alone would do nothing to reduce public expenditures or meet public needs. If operating, maintenance, and liability expenses are not the responsibility of the state, the same costs will fall to local agencies. Local agencies are already greatly underfunded to meet local road needs.
- Unless new legislation provides otherwise, the relinquishment of many sections of road will probably bring upfront costs to the State as well as the longer term savings. Current law provides that the State will bring a section of road up to a "good state of repair" before relinquishment (or provide the funding to the local agency to do so).

<u>Constitutional amendment for gasoline sales tax revenue</u>. The CPR report recommended amending the California Constitution to extend to the gasoline sales tax the same kind of protections now afforded to gasoline excise tax revenues under Article XIX. It also recommended setting aside $100 million for the Transportation Finance Bank and dedicating 15% of revenues to a major maintenance fund and allowing bonding against those revenues.

- The proposed amendment would provide needed stability for transportation revenue. However, it should be recognized that the shifting of sales tax revenues to transportation enlarges or maintains the General Fund structural deficit. Either other taxes will need to be raised or other General Fund obligations will need to be reduced. An alternative would be simply to increase the basic gasoline tax, already protected under Article XIX.
- The Transportation Finance Bank proposal would increase the Bank's capitalization from $3 million to $103 million. The CPR issue paper notes that the bank's use has been limited because of the restrictive loan amounts and federal eligibility requirements. But a larger

reason has been the lack of adequate revenues to repay a loan. Loans are not a substitute for revenue, and access to loans is not the real problem for transportation in California. It is the lack of adequate revenues--including revenues that might be used to support any needed borrowing.

- The intent of the major maintenance recommendation is unclear. State highway maintenance and rehabilitation needs already have first call for State Highway Account funds. The constitution already dedicates a portion of Transportation Investment Fund (gasoline sales tax) revenue for local road maintenance.

<u>Vehicle Miles Traveled (VMT) Fee</u>. The CPR report recommended that the Agency develop a pilot project to test the feasibility of using a VMT fee for transportation revenue.

- This is already being pursued by others, including a Transportation Research Board study. Clearly, the state will need to find alternative means of raising revenue as the use of gasoline is phased out. We see this beginning already with the introduction of electric-hybrid vehicles. However, this is a national problem, and the solution should be coordinated with the rest of the nation. The real challenge of implementing a VMT fee will not be to find a technology to work with willing drivers (as Oregon is doing). It will be to find a technology and fee that is fair and cannot easily be evaded.

<u>Consolidate infrastructure planning and programming</u>. The CPR report stated that investment infrastructure has failed to meet demand because of a lack of coordination between state agencies. It recommended the creation of a statewide planning office that would establish state policies, projects and budgets consistent with Agency priorities; develop an infrastructure 7-year plan adopted by the Agency; provide rules for local governments to follow in complying with State General Plan Guidelines; and work with other state agencies to ensure that funding is integrated and projects are delivered on time and on budget.

- This recommendation appears more focused on centralized planning and control than on effectiveness of government. Better communication and coordination among agencies assigned different missions (described in the CPR issue paper as stovepiped) should be sought. But nothing in the report supports the conclusion that centralized control will make government more effective. Indeed, centralization of authority and control can stifle creativity and paralyze decision-making.

Responsibility for railroad safety at roadway crossings. The CPR report recommended (a) shifting certain responsibilities for at-grade crossings from the Public Utilities Commission (PUC) to Caltrans, and (b) eliminating the PUC role for reviewing and setting funding priorities for grade separations and make grade separation funding part of the STIP/SHOPP process.

- The recommendations address and appear to confuse two separable issues, (1) the regulatory and safety inspection responsibilities for roadway/railway crossings that currently resides with the PUC, and (2) the administration of state and federal funding for at-grade crossings and grade separations, now split between the PUC, Caltrans, and the PUC.
- The CTC would support the repeal of Streets and Highways Code Section 190, which mandates that $15 million be set aside each year for grade separation projects ranked by the PUC. This mandate has become an anachronism since the current STIP process was enacted in 1997. A single grade separation project can easily cost more than the $15 million annual mandate, and the other funding sources now available for grade crossings make Section 190 practically irrelevant.
- Another state law (Section 1231, Public Utilities Code) makes the PUC responsible for determining the needs of local agencies for federal transportation funds for at-grade funding program, while Caltrans administers the funding. These federal funds could be administered by Caltrans alone, with or without the transfer of staff and resources from the PUC.
- The regulation and inspection of crossings is a separate and important function that should continue, whether housed within the PUC or at Caltrans.

Caltrans project delivery management. The CPR report makes several recommendations regarding project delivery management, many of which are currently being implemented and are supported by the CTC. One recommendation of concern, however, was that a plan to stabilize project delivery staff levels should (1) base Caltrans staffing levels on the SHOPP and the interregional program



portion of the STIP, and (2) base consultant workload on the regional program portion of the STIP.

- The appropriate split of workload between in-house and consultant staffing should not be based on a distinction between the interregional and regional program shares within the STIP. Both shares are components of the same state transportation improvement program. The regional program (or RTIP) constitutes the major part of the STIP and the major part of State highway improvement programming. It is not a local funding subvention program. It is not a temporary, volatile program, as suggested by the CPR issue paper. Regional agencies may propose (and have proposed) that local agencies implement some State highway STIP projects themselves, using consultants. The Commission, however, expects that most STIP projects on the State highway system will be implemented by the Department and that the Department will maintain the competence and staffing levels to do so.

# 2004 ACTIVITY AND ACCOMPLISHMENTS



# 2004 ACTIVITY AND ACCOMPLISHMENTS

## Traffic Congestion Relief Program

The California Transportation Commission has made no new Traffic Congestion Relief Program (TCRP) project allocations for over two years, since December 2002. The Commission suspended making new allocations when then Governor Davis first proposed to suspend the $678 million in annual Proposition 42 transfers scheduled for the TCRP. For both 2003-04 and 2004-05, the Governor and Legislature have suspended Proposition 42 transfers and provided just enough TCRP funding to continue payments on allocations that had already been made, not enough to support new allocations. By the end of 2004, the Commission had received $314 million in TCRP project allocation requests that could not be approved because of the lack of funding. Another $269 million in funding for TCRP projects is being advanced by local agencies under letters of no prejudice (LONP) approved by the Commission. In addition, there are $595 million in pending LONP requests on which the Commission has taken no action in light of financial uncertainty.

### Background

The TCRP is the $4.9 billion commitment to 141 specific projects designated by the Governor and the Legislature as part of the Traffic Congestion Relief (TCR) Act of 2000 (AB 2928 and SB 1662). The TCRP is funded through the Traffic Congestion Relief Fund (TCRF), which was created by the TCR Act for that purpose. The TCRP was scheduled to be funded through the TCRF with:

- $1.595 billion in 2000-01 from a General Fund transfer and directly from gasoline sales tax revenue.
- $3.314 billion in transfers from the Transportation Investment Fund (TIF), originally over the years from 2001-02 through 2005-06, and now 2003-04 through 2007-08. The transfers were to be $678 million per year for the first four years and the balance of $602 million in the fifth year. The TIF derives its revenues from the sales tax on gasoline. Additionally, the TIF also provides revenues to the state transportation improvement program (STIP), to a subvention program for local streets and roads, and to the Public Transportation Account (PTA) for transit-related purposes.

Under Proposition 42 (2002), the scheduled General Fund transfers to the TIF may be suspended only upon a declaration by the Governor and with the approval of both houses of the Legislature by a two-thirds vote in a bill separate from the budget act.

When the Commission suspended making TCRP allocations in December 2002,

- It had approved $3.841 billion in TCRP project applications, including at least one application for each of the 141 designated projects. An application defines the scope, cost, and schedule of a particular project or project phase. Application approval is equivalent to project programming and generally includes project expenditures planned for future years.

- Of the $3.841 billion in application approvals, the Commission had approved $1.494 billion in project allocations. An allocation encumbers state funding for a particular project or project phase.

Last year, the Department of Transportation reported to the Commission that $844 million of the $1.494 billion had been expended and invoiced through November 2003. The Department reports that, since that time, another $272 million has been expended and invoiced, bringing the total through November 2004 to $1.116 billion.

**Suspension of Transfers for 2003-04 and 2004-05**

For 2003-04, the Legislature partially suspended the Proposition 42 transfer (AB 1750) and specified that $189 million be transferred to the TCRF to support TCRP allocations already made (AB 1751). These bills also treated the amount of the suspended transfer (including $389 million for the TCRF) as a loan to be repaid in 2008-09. The loan was accomplished by creating the Transportation Deferred Investment Fund (TDIF) to receive the General Fund repayment in 2008-09 (unprotected by Proposition 42) for use for the original TIF purposes.

For 2004-05, the Legislature suspended all of the scheduled Proposition 42 transfer (SB 1099) and specified that $163 million be transferred to the TCRF to continue payment of allocations already made. The $163 million was a partial repayment of an outstanding loan from TCRF to the General Fund. Once again, the amount of the suspended transfer (including $678 million for the TCRF) was treated as a loan to be repaid through the TDIF (unprotected by Proposition 42), this time with the repayment scheduled for 2007-08.

With this year's transfer of $163 million, a total of $1.401 billion has so far been made available to support the $1.494 billion in TCRP allocations. That leaves another $93 million still needed to fund the current allocations.

**Tribal Casino Revenue Bonds, AB 687**

Also this year, the Legislature enacted AB 687, which ratified tribal casino revenue compacts and directed that the state issue bonds against future compact revenues, with the bond proceeds be used to repay General Fund obligations to various transportation accounts, including the TCRF. The legislation anticipated 2004-05 bond proceeds of $1.2 billion, of which $290 million would be available for TCRP projects. No bond sale has yet occurred, however. The sale was delayed at first by Propositions 68 and 70, two casino revenue initiatives on the November 2004 ballot that were defeated. Had either proposition passed, the compacts ratified by AB 687 would have been effectively nullified. Further doubt has been cast over the salability of the bonds by a lawsuit that was filed in September challenging the approval of AB 687 as an urgency measure. The plaintiffs claim the approval violated a provision of the California Constitution that precludes the granting of a private franchise though urgency legislation, and they claim that the urgency clause precluded them from petitioning for a referendum against the measure. The State Treasurer has noted that the lawsuit will need to be resolved before the state can sell the bonds.

AB 687 provides that the bonds shall be sold so that, to the maximum extent feasible, interest on the bonds will be exempt from federal taxation. When and if the bonds are sold, that will limit how the proceeds can be applied to TCRP projects. It would, for example, effectively preclude the use of the proceeds to reimburse local agencies for their expenditures under LONPs. Under Commission policy adopted in August 2003 (Resolution G-03-12), up to one-half of the resources made available for the TCRP in a given fiscal year are to be reserved for allocation to reimburse LONP expenditures.

## Unfunded TCRP Allocation Requests

The Commission stopped approving new TCRP allocations in December 2002. Since that time, the Commission has received 25 project allocation requests for $314 million for project phases that were ready to go but could not be funded. For many other ready projects, agencies have simply not submitted requests, knowing that TCRP funding was unavailable. Those projects are listed in the chapter of this report on the Outlook for the Traffic Congestion Relief Program.

**TCRP Allocation Request Not Funded**

($1,000's)

| # | Project Description | Phase(s) | Amount |
|---|---|---|---|
| 1.1 | BART, extension from Fremont to Warm Springs | Right of Way | $ 10,000 |
| 1.2 | BART, extension from Fremont to Warm Springs | Design | 90,438 |
| 7.2 | Caltrain; improve parking, stations and platforms UPRR lines | Env, Design, R/w | 5,270 |
| 27.1 | Vasco Road Improvements (Ala, CC) | Right of Way | 4,170 |
| 27.2 | ACE Commuter Parking | Construction | 1,204 |
| 27.3 | ACE Parking Facility (LONP Reimbursement) | Construction | 980 |
| 35.3 | Pacific Surfliner; fifth lead track, Los Angeles County | Construction | 4,672 |
| 37.1 | Los Angeles Mid-City Transit Improvements | Design, R/W | 23,900 |
| 38.2 | Los Angeles-San Fernando Valley Transit Extension | Env, Design, R/W | 18,000 |
| 62.1 | Route 91 HOV lanes through downtown Riverside | Construction | 17,000 |
| 74.5 | Pacific Surfliner; double track, maintenance yard. (LONP reimbursement) | Construction | 2,000 |
| 75.2 | San Diego Transit Buses, acquire about 85 low-emission buses | Procurement | 7,700 |
| 79 | North County Light Rail; Oceanside to Escondido | Construction | 80,000 |
| 83.1 | Route 15 managed lane north of San Diego, Route 163 to Route 78 | Right of Way | 7,800 |
| 94 | Route 43 widening, Fresno County (reallocate to project #97.2 & others) | Environmental | (2,078) |
| 97.2 | Operational improvements near CSU Fresno (see project #94) | Right of Way | 550 |
| 98 | Peach Avenue; widen, pedestrian overcrossings, Fresno County | Right of Way | 260 |
| 99.2 | San Joaquin Corridor; Stockton to Escalon second main track | Construction | 7,000 |
| 114 | Route 65 improvements, Kern County | Design, R/W | 1,298 |
| 118 | Sacramento (SECAT); diesel engine emission reduction incentive | Procurement | 18,500 |
| 119.2 | Sacramento Regional Transit buses, Yolo County bus service | Procure, operate | 1,885 |
| 123 | Oceanside Transit Center; parking structure | Construction | 590 |
| 152 | Pasadena Gold Line transit-oriented development (LONP reimbursement) | Construction | 692 |
| 153 | Pasadena Gold Line utility relocation (LONP reimbursement) | Construction | 550 |
| 156 | Seismic retrofit and core segment improvements for the BART system | Design | 11,530 |
| | **TOTAL** | | **$313,911** |

## Letters of No Prejudice

AB 1335 (2001) authorized the Commission to grant a letter of no prejudice (LONP) for a TCRP project, allowing a local agency to expend its own funds on the project and qualify for later reimbursement when and if sufficient cash becomes available in the

TCRF. AB 1335 also authorized the Commission to develop guidelines for LONPs. When AB 1335 was enacted, the TCRF had sufficient funding to support all TCRP allocations, and so there was no immediate demand for LONPs. By 2003, the situation had changed dramatically with the suspension of allocations and the suspension of the Proposition 42 transfer.

The Commission took action, in cooperation with the Department and regional and local agencies, to develop LONP guidelines and adopted them on August 14, 2003. At that time, the Commission reminded local agencies requesting LONPs that they proceed at their own risk because reimbursement is wholly dependent upon the availability of TCRF funding. Despite the risk, a number of local agencies found their TCRP projects to be of sufficiently high priority to proceed with local funds.

Due to continued funding uncertainties the Commission stopped approving LONP requests in January 2004, and began placing the requests on a pending list. As of December 2004, the Commission had approved ten LONP requests from six agencies totaling $269 million, and placed an additional $595 million in LONP requests on the pending listing.

**TCRP Approved Letters of No Prejudice**

($1,000's)

| # | Project Description | Phase(s) | Amount | Funding Source |
|---|---|---|---|---|
| 27.3 | Vasco Rd, Alameda & Contra Costa (Valley Center parking) | Construction | $ 980 | Local Sales Tax |
| 33 | Low-emission buses for Los Angeles County MTA bus transit service | Construction | 150,000 | Local & Regional Federal Funds |
| 37.2 | Los Angeles Mid-City Transit Improvements; Mid-City/Exposition Light Rail Transit | Environmental | 14,000 | Local Prop. C |
| 38.1 | Los Angeles-San Fernando Valley Transit Extension; East-West Bus Rapid Transit | Construction | 98,000 | Local Prop. C |
| 74.5 | Pacific Surfliner; within San Diego Co. (Encinitas passing track) | Construction | 3,288 | NCTD Capital Reserve Funds |
| 74.6 | Pacific Surfliner; within San Diego Co. (Leucadia Boulevard Grade Separation) | Environmental | 200 | General Funds, City of Encinitas |
| 74.7 | Pacific Surfliner; within San Diego Co. (Encinitas Grade-Sep. Pedestrian Crossing | Environmental & Design | 1,248 | General Funds, City of Encinitas |
| 141 | Union City; pedestrian bridge over Union Pacific rail lines | Design | 200 | Union City Redevelopment Funds |
| 152 | Pasadena Gold Line transit-oriented mixed-use development | Construction | 692 | Private Developer |
| 153 | Pasadena Blue Line utility relocation | Construction | 550 | Private Developer |
| | **TOTAL** | | **$269,158** | |

## TCRP Pending Letters of No Prejudice

($1,000's)

| No. | Project Description | Phase(s) | Amount |
|---|---|---|---|
| 1.1 | Extend BART, Fremont to Warm Springs | Right of Way | $ 10,000 |
| 1.2 | Extend BART, Warm Springs to San Jose | Design, R/W | 214,409 |
| 2 | Fremont-South Bay Commuter Rail (alternative project) | Right of Way | 35,000 |
| 36 | Los Angeles Eastside Transit Extension; light rail | Construction | 182,900 |
| 37.1 | Los Angeles Mid-City Transit Improvements | Right of Way | 26,100 |
| 44 | Rte 47 (Terminal Island Fwy); Ocean Blvd interchange, Long Beach | Construction | 2,726 |
| 70.2 | Route 22 HOV lanes, Route 405 to Route 55, Orange County | Design, const | 123,700 |
| 123 | Oceanside Transit Center; parking structure | Construction | 590 |
| | **TOTAL** | | **$595,425** |

## Traffic Congestion Relief Program Funds

($1,000)

| # | Project Description | Eligible | Approved | Allocated | Expended |
|---|---|---|---|---|---|
| 1.1 | Extend BART from Fremont to Downtown San Jose (Fremont to Warm Springs) | $111,433 | $111,433 | $54,115 | $14,399 |
| 1.2 | Extend BART from Fremont to Downtown San Jose (Warm Springs to San Jose) | 613,567 | 613,567 | 45,000 | 31,228 |
| 2 | Fremont-South Bay Commuter Rail; acquire rail line, BART to San Jose (Alt project) | 35,000 | 35,000 | 0 | 0 |
| 3 | Route 101; widen fwy from 4 to 8 lanes south of San Jose, Bemal to Burnett | 25,000 | 25,000 | 25,000 | 25,000 |
| 4 | Route 680; northbound HOV lane over Sunol Grade, Santa Clara & Alameda Co.s | 60,000 | 60,000 | 2,000 | 783 |
| 5 | Route 101; add northbound lane to freeway through San Jose, Rte 87 to Trimble Rd | 5,000 | 5,000 | 5,000 | 4,994 |
| 6 | Route 262; study, cross connector freeway, Rte 680 to Rte 880, Santa Clara County | 1,000 | 1,000 | 1,000 | 1,000 |
| 7.1 | CalTrain; expand service to Gilroy (2nd main track-- Tamien & Lick) | 22,000 | 22,000 | 22,000 | 18,300 |
| 7.2 | CalTrain; expand service to Gilroy (modify platform & Gilroy storage tracks) | 6,500 | 0 | 0 | 0 |
| 7.3 | CalTrain; expand service to Gilroy (other improvements) | 26,500 | 0 | 0 | 0 |
| 8 | Route 880; reconstruct Coleman Ave Interchange near San Jose Airport | 5,000 | 5,000 | 5,000 | 5,005 |
| 9.1 | Capitol Corridor; improve, Oakland-San Jose (Harder Road undercrossing) | 600 | 600 | 600 | 600 |
| 9.2 | Capitol Corridor; improve between Oakland and San Jose (Emeryville station) | 4,900 | 1,975 | 1,975 | 192 |
| 9.3 | Capitol Corridor; improve between Oakland and San Jose (Jack London Sq station) | 0 | 0 | 0 | 0 |
| 9.4 | Capitol Corridor; improve between Oakland and San Jose (track improvements) | 19,500 | 19,500 | 19,500 | 7,924 |
| 10 | Regional Express Bus; low-emission buses for services on HOV lanes, SF Bay Area | 40,000 | 40,000 | 40,000 | 40,000 |
| 11 | San Francisco Bay Southern Crossing; feasibility and financial studies | 5,000 | 5,000 | 3,200 | 3,119 |
| 12.1 | Bay Area Transit Connectivity: I-580 Corridor study and improvements | 7,000 | 2,000 | 2,000 | 2,000 |
| 12.2 | Bay Area Transit Connectivity: Hercules Rail Station study and improvements | 3,000 | 100 | 100 | 100 |
| 12.3 | Bay Area Transit Connectivity: Route 4 Corridor study and improvements | 7,000 | 2,300 | 2,300 | 2,297 |
| 13 | CalTrain Peninsula Corridor; rolling stock, improvements, San Francisco-San Jose | 127,000 | 127,000 | 127,000 | 124,160 |
| 14 | CalTrain; extension to Salinas in Monterey County | 20,000 | 1,000 | 1,000 | 1,000 |
| 15 | Route 24, Caldecott Tunnel; add 4th bore tunnel, Alameda & Contra Costa Co.s | 20,000 | 20,000 | 15,000 | 4,164 |
| 16.1 | Route 4 improvements, Contra Costa County (Railroad Rd) | 25,000 | 25,000 | 25,000 | 25,000 |
| 16.2 | Route 4 improvements, Contra Costa County (Loveridge Rd) | 14,000 | 14,000 | 0 | 0 |
| 17 | Route 101; add reversible HOV lane through San Rafael, Marin County | 15,000 | 15,000 | 2,751 | 827 |
| 18 | Rte 101; widen to 6 lanes, Novato to Petaluma (Novato Narrows), Marin & Sonoma | 21,000 | 5,600 | 5,600 | 2,255 |
| 19 | Bay Area Water Transit Authority; regional system beginning with Treasure Is, SF | 2,000 | 150 | 150 | 0 |
| 20.1 | San Francisco Muni 3rd St Light Rail: extend to Chinatown (tunnel); (Bayshore ext.) | 126,000 | 126,000 | 126,000 | 126,000 |
| 20.2 | San Francisco Muni 3rd St Light Rail; extend Chinatown (tunnel); (Central Subway) | 14,000 | 14,000 | 14,000 | 3,412 |
| 21 | San Francisco Muni Ocean Ave Light Rail; reconstruct to Rte 1 near CSUSF | 7,000 | 7,000 | 7,000 | 7,000 |
| 22 | Rte 101; environmental study for reconstruction of Doyle Dr, San Francisco | 15,000 | 3,000 | 3,000 | 3,255 |
| 23 | CalTrain; grade separations at Poplar, 25th, and Linden, San Mateo County | 15,000 | 1,000 | 1,000 | 999 |

## Traffic Congestion Relief Program Funds

($1,000)

| # | Project Description | Eligible | Approved | Allocated | Expended |
|---|---|---|---|---|---|
| 24 | Vallejo Baylink Ferry; acquire low-emission ferryboats to expand Vallejo-SF service | 5,000 | 5,000 | 5,000 | 5,000 |
| 25.1 | I-80/I-680/Rte 12 Interchange complex in Fairfield, Stage 1 of 7 (MIS/Corridor Study) | 1,000 | 1,000 | 1,000 | 1,000 |
| 25.2 | I-80/I-680/Rte 12 Interchange complex in Fairfield, Stage 1 of 7 (North Connector) | 3,000 | 3,000 | 3,000 | 2,199 |
| 25.3 | I-80/I-680/Rte 12 Interchange complex in Fairfield, Stage 1 of 7 | 9,000 | 9,000 | 9,000 | 2,670 |
| 26 | ACE Commuter Rail; add siding on UPRR line in Livermore Valley in Alameda Co. | 1,000 | 1,000 | 0 | 0 |
| 27.1 | Vasco Rd, Alameda & Contra Costa (Vasco Rd re-alignment) | 6,500 | 150 | 150 | 150 |
| 27.2 | Vasco Rd, Alameda & Contra Costa (Vasco Rd ACE parking) | 3,000 | 3,000 | 1,796 | 1,579 |
| 27.3 | Vasco Rd, Alameda & Contra Costa (Valley Center parking) | 1,500 | 520 | 520 | 520 |
| 28 | Parking Structure at Transit Village at Richmond BART Station | 5,000 | 5,000 | 680 | 0 |
| 29 | AC Transit; two fuel cell buses & fueling facility, Alameda and Contra Costa | 8,000 | 8,000 | 8,000 | 4,729 |
| 30 | Commuter rail service, Cloverdale to San Rafael & Larkspur, Marin-Sonoma | 37,000 | 7,700 | 7,700 | 5,354 |
| 31 | Route 580; HOV lanes, Tassajara Rd/Santa Rita Rd to Vasco Rd in Alameda County | 25,000 | 25,000 | 7,000 | 2,797 |
| 32.1 | North Coast Railroad; defray administrative costs | 1,000 | 1,000 | 1,000 | 1,000 |
| 32.2 | North Coast Railroad; complete rail line from Lombard to Willits | 600 | 600 | 600 | 600 |
| 32.3 | North Coast Railroad; complete of rail line from Willits to Arcata | 1,000 | 1,000 | 400 | 400 |
| 32.4 | North Coast Railroad; upgrade rail line to Class II or III standards | 5,000 | 5,000 | 100 | 100 |
| 32.5 | North Coast Railroad; environmental remediation projects | 4,100 | 1,146 | 1,146 | 920 |
| 32.6 | North Coast Railroad; debt reduction | 10,000 | 10,000 | 10,000 | 10,000 |
| 32.7 | North Coast Railroad; local match funds | 1,800 | 50 | 50 | 0 |
| 32.8 | North Coast Railroad; repayment of Federal loan obligations | 5,500 | 5,500 | 5,500 | 5,500 |
| 32.9 | North Coast Railroad; long term stabilization projects | 31,000 | 31,000 | 0 | 0 |
| 33 | Bus Transit; low-emission buses for Los Angeles County MTA bus transit service | 150,000 | 150,000 | 0 | 0 |
| 34 | Blue Line to Los Angeles; new rail line Pasadena to Los Angeles | 40,000 | 40,000 | 40,000 | 40,000 |
| 35.1 | Pacific Surfliner; run-through-tracks through LA Union Station | 28,000 | 28,000 | 12,000 | 5,011 |
| 35.2 | Pacific Surfliner; triple track intercity rail line within Los Angeles County | 66,936 | 0 | 0 | 0 |
| 35.3 | Pacific Surfliner; fifth lead track, Los Angeles County | 5,064 | 5,064 | 389 | 284 |
| 36 | Los Angeles Eastside Transit Extension; new light rail line in East Los Angeles | 236,000 | 236,000 | 45,000 | 45,000 |
| 37.1 | Los Angeles Mid-City Transit Improvements; Wilshire Bus Rapid Transit | 186900 | 81,800 | 6,200 | 4,211 |
| 37.2 | Los Angeles Mid-City Transit Improvements; Mid-City/Exposition Light Rail Transit | 69100 | 25,000 | 11,000 | 9,378 |
| 38.1 | Los Angeles-San Fernando Valley Transit Extension; East-West Bus Rapid Transit | 145,000 | 145,000 | 47,000 | 32,116 |
| 38.2 | Los Angeles-San Fernando Valley Transit Extension; North-South bus transit | 100,000 | 2,000 | 2,000 | 1,853 |
| 39 | Route 405; NB HOV lane over Sepulveda Pass, Rte 10 to Rte 101 in Los Angeles | 90,000 | 15,000 | 15,000 | 5,037 |
| 40 | Route 10; add HOV lanes over Kellogg Hill, near Pomona in Los Angeles County | 90,000 | 33,100 | 12,100 | 1,280 |
| 41.1 | Route 5; HOV lanes through San Fernando Valley (Segment 1, Rte 118 to Rte 14) | 40175 | 40,175 | 2,749 | 2,645 |
| 41.2 | Route 5; HOV lanes through San Fernando Valley (Segment 2, Rte 170 to Rte 118) | 9825 | 9,825 | 9,825 | 538 |
| 42.1 | Route 5; widen to 10 lanes in LA Co. (Segment A, Orange County to Rte 605) | 109,000 | 109,000 | 6,000 | 975 |
| 42.2 | Route 5; widen to 10 lanes in LA Co. (Segment B, Rte 605 interchange to Rte 710) | 8,000 | 8,000 | 0 | 0 |
| 42.3 | Route 5; widen to 10 lanes in LA County (Segment C, Rte 710 interchange) | 8,000 | 8,000 | 0 | 0 |
| 43 | Route 5; improve Carmenita Road Interchange in Norwalk in Los Angeles County | 71,000 | 71,000 | 290 | 0 |
| 44 | Rte 47 (Terminal Island Fwy); interchange at Ocean Blvd Overpass in Long Beach | 18,400 | 18,400 | 15,674 | 13,023 |
| 45 | Rte 710; Gateway Corridor Study, Los Angeles County | 2,000 | 2,000 | 2,000 | 2,000 |
| 46 | Route 1; reconstruct intersection at Route 107 in Torrance, Los Angeles County | 2,000 | 2,000 | 700 | 817 |
| 47 | Route 101; California Street off-ramp in Ventura County | 15,000 | 620 | 620 | 606 |
| 48 | Route 101; corridor study, Route 170 (Los Angeles) to Route 23 (Thousand Oaks) | 3,000 | 3,000 | 3,000 | 2,215 |
| 49 | Hollywood Intermodal Transportation Center at Highland Ave & Hawthorn Ave | 10,000 | 350 | 350 | 0 |



## Traffic Congestion Relief Program Funds

($1,000)

| # | Project Description | Eligible | Approved | Allocated | Expended |
|---|---|---|---|---|---|
| 50 | Route 71; complete 3 miles of 6-lane freeway through Pomona, Los Angeles Co. | 30,000 | 11,800 | 11,800 | 4,405 |
| 51 | Route 101/405; add aux. lane & widen ramp through interchange, Sherman Oaks | 21,000 | 8,200 | 8,200 | 7,750 |
| 52 | Route 405; HOV & aux. lanes in West Los Angeles, Waterford Ave to Route 10 | 25,000 | 25,000 | 0 | 0 |
| 53 | Automated Signal Corridors (ATSAC); Victory/Ventura, Sepulveda Blvd & Rte 118 | 16,000 | 15,500 | 15,500 | 7,837 |
| 54.1 | Alameda Corridor East; grade separations, Los Angeles County | 130,300 | 130,300 | 61,573 | 15,657 |
| 54.2 | Alameda Corridor East; grade separations, Los Angeles County (Santa Fe Springs) | 15,300 | 15,300 | 0 | 0 |
| 54.3 | Alameda Corridor East; grade separations, Los Angeles County (Pico Rivera) | 4,400 | 4,400 | 0 | 0 |
| 55.1 | Alameda Corridor East; grade separations, San Bernardino County (Montclair) | 18,800 | 18,800 | 4,540 | 1,159 |
| 55.2 | Alameda Corridor East; grade separations, San Bernardino County (Ontario) | 34,178 | 700 | 700 | 557 |
| 55.3 | Alameda Corridor East; grade separations, San Bernardino County (SANBAG) | 42,022 | 34,060 | 8,610 | 2,658 |
| 56 | Metrolink; track & signal improvements, San Bernardino Line, San Bernardino Co. | 15,000 | 15,000 | 15,000 | 14,215 |
| 57 | Route 215; HOV lanes through downtown San Bernardino, Rte 10 to Rte 30 | 25,000 | 25,000 | 0 | 0 |
| 58 | Route 10; widen freeway through Redlands, Route 30 to Ford Street | 10,000 | 10,000 | 4,296 | 3,825 |
| 59 | Route 10; Live Oak Canyon Interchange, Yucaipa, San Bernardino County | 11,000 | 11,000 | 2,868 | 2,576 |
| 60 | Route 15; southbound truck climbing lane at 2 locations in San Bernardino Co. | 10,000 | 860 | 860 | 859 |
| 61 | Route 10; reconstruct Apache Trail Interchange east of Banning in Riverside Co. | 30,000 | 3,900 | 1,900 | 1,222 |
| 62 | Route 91; HOV lanes through downtown Riverside (Mary St to University Av) | 20,000 | 15,700 | 3,700 | 1,282 |
| 62.1 | Route 91; HOV lanes through downtown Riverside (University Av to Route 60/215) | 20,000 | 20,000 | 3,000 | 1,136 |
| 63 | Route 60; add 7 miles of HOV lanes west of Riverside, Rte 15 to Valley Way | 25,000 | 4,000 | 4,000 | 3,473 |
| 64.1 | Route 91; Green River interchange, ramp to northbound Route 71 in Riverside Co. | 5,000 | 590 | 0 | 0 |
| 70.1 | Route 22; HOV lanes, Route 405 to Route 55 in Orange County (Soundwall) | 16,800 | 16,800 | 16,800 | 15,897 |
| 70.2 | Route 22; HOV lanes, Route 405 to Route 55 in Orange County (design/build HOV) | 189,700 | 189,700 | 66,000 | 48,813 |
| 73 | Alameda Corridor East; (Orangethorpe Corridor) grade separations in Orange Co. | 28,000 | 28,000 | 16,200 | 16,200 |
| 74.1 | Pacific Surfliner; within San Diego Co. (Oceanside double tracking) | 6,000 | 6,000 | 500 | 428 |
| 74.2 | Pacific Surfliner; within San Diego Co. (LOSSAN Corridor EIS/EIR) | 15,262 | 2,498 | 2,498 | 2,498 |
| 74.3 | Pacific Surfliner; within San Diego Co. (maintenance yard) | 20,552 | 0 | 0 | 0 |
| 74.4 | Pacific Surfliner; within San Diego Co. (track & signal improvement at Fallbrook) | 450 | 450 | 450 | 450 |
| 74.5 | Pacific Surfliner; within San Diego Co. (Encinitas passing track) | 3,288 | 3,288 | 0 | 0 |
| 74.6 | Pacific Surfliner; within San Diego Co. (Leucadia Boulevard Grade Separation) | 200 | 200 | 0 | 0 |
| 74.7 | Pacific Surfliner; within San Diego Co. (Encinitas Grade-Sep. Pedestrian Crossing | 1248 | 1248 | 0 | 0 |
| 75.1 | San Diego Transit Buses; low-emission buses (MTDB) | 21,000 | 21,000 | 21,000 | 13,234 |
| 75.2 | San Diego Transit Buses; low-emission buses (NCTD) | 9,000 | 9,000 | 1,300 | 844 |
| 76 | Coaster Commuter Rail; train set to expand commuter rail in San Diego County | 1,620 | 1,620 | 1,620 | 1,620 |
| 76.1 | Coaster Commuter Rail; train set to expand commuter rail in San Diego County | 12,380 | 12,380 | 12,380 | 12,251 |
| 77 | Route 94; environmental studies, downtown San Diego to Rte. 125 in Lemon Grove | 20,000 | 4,000 | 4,000 | 1,127 |
| 78 | East Village access; access to light rail from East Village, San Diego County. | 15,000 | 15,000 | 15,000 | 5,091 |
| 79 | North County Light Rail; Oceanside to Escondido in San Diego County | 80,000 | 80,000 | 0 | 0 |
| 80 | Mid-Coast Light Rail; extend Old Town light rail to Balboa Ave in San Diego County | 10,000 | 1,300 | 0 | 0 |
| 81 | San Diego Ferry; high-speed ferryboat for service btw. San Diego and Oceanside | 5,000 | 3,784 | 3,784 | 3,784 |
| 82.1 | Routes 5/805; reconstruct and widen freeway interchange in San Diego County | 19,000 | 19,000 | 19,000 | 4,437 |
| 82.2 | Routes 5/805; reconstruct and widen freeway interchange in San Diego County | 6,000 | 6,000 | 0 | 0 |
| 83.1 | Route 15; managed lane project north of San Diego (Stage 1) (Transit elements) | 28,800 | 28,800 | 5,700 | 5,700 |
| 83.2 | Route 15; managed lane project north of San Diego (Stage 1) (Freeway elements) | 41,200 | 41,200 | 34,300 | 31,046 |
| 84 | Route 52; build 4 miles of new 6-lane freeway to Santee, San Diego County | 45,000 | 45,000 | 25,000 | 24,838 |
| 85 | Route 56; new freeway between I-5 and I-15 in the City of San Diego | 25,000 | 25,000 | 21,570 | 17,782 |

## Traffic Congestion Relief Program Funds

($1,000)

| # | Project Description | Eligible | Approved | Allocated | Expended |
|---|---|---|---|---|---|
| 86 | Rte 905; new 6-lane freeway on Otay Mesa, Rte 805 to Mexico Port of Entry | 25,000 | 25,000 | 25,000 | 15,096 |
| 87.1 | Routes 94/125; connector ramps in Lemon Grove in San Diego County (interim) | 1,271 | 781 | 781 | 282 |
| 87.2 | Routes 94/125; connector ramps in Lemon Grove in San Diego County (ultimate) | 58,729 | 2,190 | 2,190 | 1,542 |
| 88 | Route 5; realign at Virginia Av, approaching San Ysidro Port of Entry to Mexico | 10,000 | 600 | 600 | 179 |
| 89 | Route 99; improve Shaw Avenue interchange in northern Fresno | 5,000 | 1,600 | 1,600 | 820 |
| 90 | Route 99; widen freeway to 6 lanes, Kingsburg to Selma in Fresno County | 20,000 | 3,860 | 3,860 | 3,008 |
| 91 | Route 180; new expressway, Clovis Ave to Temperance Ave in Fresno County | 20,000 | 20,000 | 12,561 | 11,615 |
| 92 | San Joaquin Corridor; improve track & signals near Hanford in Kings County | 10,000 | 10,000 | 0 | 0 |
| 93 | Route 180; environmental studies to extend west from Mendota to I-5 in Fresno Co. | 7,000 | 7,000 | 7,000 | 1,905 |
| 94 | Route 43; widen to 4-lane expressway, Kings County Line to Rte 99 in Fresno Co. | 5,000 | 2,600 | 2,600 | 525 |
| 95 | Route 41; improvements at Friant Road interchange in Fresno | 10,000 | 10,000 | 1,930 | 1,504 |
| 96 | Friant Road; widen to four lanes from Copper Avenue to Road 206 in Fresno County | 10,000 | 10,000 | 512 | 458 |
| 97 | Operational improvements near California State University at Fresno (CSU Fresno) | 2,100 | 2,100 | 2,100 | 2,096 |
| 97.1 | Operational improvements near California State University at Fresno (City of Clovis) | 1,850 | 1,850 | 1,385 | 1,305 |
| 97.2 | Operational improvements near California State University at Fresno (City of Fresno) | 6,050 | 6,050 | 518 | 341 |
| 98 | Peach Ave; widen to 4 lanes, pedestrian overcrossings for 3 schools, Fresno County | 10,000 | 10,000 | 600 | 256 |
| 99.1 | San Joaquin Corridor; improve track and signals (Calwa to Bowles) | 3,000 | 3,000 | 3,000 | 3,000 |
| 99.2 | San Joaquin Corridor; improve track and signals (Stockton to Escalon) | 12,000 | 7,000 | 0 | 0 |
| 100 | San Joaquin Valley Clean Air Attainment Program; reduce diesel emissions | 25,000 | 25,000 | 25,000 | 12,500 |
| 101 | Santa Cruz Metropolitan Transit District bus fleet; low-emission buses | 3,000 | 3,000 | 3,000 | 3,000 |
| 102.1 | State Street smart corridor, Santa Barbara County (Outer State St signal system) | 400 | 400 | 400 | 267 |
| 102.2 | State Street smart corridor, Santa Barbara County (bus tracking system) | 900 | 900 | 900 | 0 |
| 103 | Route 99; improve interchange at Seventh Standard Road, north of Bakersfield | 8,000 | 8,000 | 1,900 | 1,182 |
| 104 | Route 99; 6-lane freeway south of Merced, Buchanan Hollow Rd to Healey Rd | 5,000 | 5,000 | 5,000 | 12 |
| 105 | Route 99; 6-lane freeway, Madera County Line to Buchanan Hollow Rd, Merced Co. | 5,000 | 5,000 | 3,300 | 0 |
| 106 | Campus Parkway; new arterial in Merced County from Route 99 to Bellevue Road | 23,000 | 23,000 | 0 | 0 |
| 107 | Route 205; widen freeway to 6 lanes, Tracy to I-5 in San Joaquin County | 25,000 | 25,000 | 0 | 0 |
| 108 | Route 5; add northbound lane, Route 205 to Route 120, San Joaquin County | 7,000 | 7,000 | 761 | 374 |
| 109 | Route 132; 4-lane expressway in Modesto, Dakota Avenue to Route 99 interchange | 12,000 | 12,000 | 608 | 608 |
| 110 | Route 132; 4-lane expressway, Route 33 to San Joaquin-Stanislaus County Line | 2,000 | 500 | 500 | 453 |
| 111 | Route 198; 4-lane expressway from Route 99 to Hanford in Kings & Tulare Co.s | 14,000 | 853 | 853 | 727 |
| 112 | Jersey Avenue; widen from 17th Street to 18th Street in Kings County | 1,500 | 1,500 | 0 | 0 |
| 113 | Route 46; widen to 4 lanes, Route 5 to San Luis Obispo County Line in Kern Co. | 30,000 | 300 | 300 | 300 |
| 114 | Route 65; improvements, studies, Route 99 to Tulare County Line in Kern County | 12,000 | 1,674 | 376 | 380 |
| 115 | South Line Light Rail; extend 3 miles towards Elk Grove, Sacramento County | 70,000 | 4,000 | 4,000 | 4,000 |
| 116 | Route 80 Light Rail Corridor; double-track for express service, Sacramento County | 25,000 | 7,900 | 3,900 | 2,370 |
| 117 | Folsom Light Rail; extend to Amtrak Depot and to Folsom, Sacramento County | 20,000 | 20,000 | 20,000 | 20,000 |
| 118 | Sacramento Clean Air/Transportation Plan; reduce diesel engine emissions | 50,000 | 50,000 | 31,500 | 31,500 |
| 119.1 | Low emission buses (augment project #118 in 2001 at request of SACOG) | 16,000 | 16,000 | 0 | 0 |
| 119.2 | Low emission replacement buses (Yolo bus service operations) | 3,000 | 3,000 | 1,773 | 1,773 |
| 121 | Metropolitan Bakersfield System Study; to reduce congestion - City of Bakersfield | 350 | 350 | 350 | 350 |
| 122 | Route 65; widening project from 7th Standard Road to Route 190 in Porterville | 3,500 | 3,500 | 2,200 | 1,340 |
| 123 | Oceanside Transit Center; parking structure | 1,500 | 1,500 | 910 | 910 |
| 126 | Route 50/Watt Avenue interchange; widening, modifications | 7,000 | 720 | 720 | 296 |
| 127 | Route 85/Route 87; interchange completion, San Jose | 3,500 | 3,500 | 3,500 | 3,500 |

## Traffic Congestion Relief Program Funds

($1,000)

| # | Project Description | Eligible | Approved | Allocated | Expended |
|---|---|---|---|---|---|
| 128 | Airport Road; reconstruction and intersection improvement project, Shasta County | 3,000 | 233 | 47 | 43 |
| 129 | Route 62; traffic and pedestrian safety & utility undergrounding project, Yucca Valley | 3,200 | 3,200 | 150 | 150 |
| 133 | Feasibility studies, grade separations, UPRR at Elk Grove Blvd and Bond Road | 150 | 150 | 150 | 147 |
| 134 | Route 50/Sunrise Boulevard; interchange modifications | 3,000 | 3,000 | 3,000 | 2,749 |
| 135 | Route 99/Sheldon Road; interchange project; reconstruction and expansion | 3,000 | 1,500 | 0 | 0 |
| 138 | Cross Valley Rail; upgrade track from Visalia to Huron | 4,000 | 4,000 | 4,000 | 4,000 |
| 139.1 | Balboa Park BART Station; phase I expansion (BART Segment 1) | 5,460 | 5,460 | 5,460 | 4,765 |
| 139.2 | Balboa Park BART Station; phase I expansion (Muni Geneva Segment 1) | 540 | 540 | 540 | 0 |
| 140 | City of Goshen; overpass for Route 99 | 1,500 | 851 | 851 | 1,136 |
| 141 | Union City; pedestrian bridge over Union Pacific rail lines | 2,000 | 2,000 | 120 | 120 |
| 142 | West Hollywood; repair, maintenance, and mitigation of Santa Monica Boulevard | 2,000 | 2,000 | 2,000 | 2,000 |
| 144 | Seismic retrofit of Golden Gate Bridge | 5,000 | 5,000 | 5,000 | 5,000 |
| 145 | Rail siding in Sun Valley between Sheldon Street and Sunland Boulevard | 6,500 | 6,500 | 6,500 | 6,446 |
| 146 | Palm Avenue Interchange, Coachella Valley | 10,000 | 10,000 | 0 | 0 |
| 148.1 | Route 98; widen to 4 lanes, Route 111 to Route 7 | 8,900 | 3,500 | 2,500 | 1,351 |
| 148.2 | Route 98; widen to 4 lanes, Route 111 to Route 7 (Encinas Ave. to Meadows Rd) | 1,100 | 1,100 | 1,100 | 1,100 |
| 149 | Low-emission buses for service on Rte. 17, Santa Cruz Metropolitan Transit District | 3,750 | 3,750 | 3,750 | 3,750 |
| 150 | Renovation or rehabilitation of Santa Cruz Metro Center | 1,000 | 200 | 200 | 150 |
| 151 | Purchase of 5 alternative fuel buses for the Pasadena Area Rapid Transit System | 1,100 | 1,100 | 1,100 | 1,100 |
| 152 | Pasadena Blue Line transit-oriented mixed-use development | 1,500 | 1,500 | 808 | 808 |
| 153 | Pasadena Blue Line utility relocation | 550 | 550 | 0 | 0 |
| 154 | Route 134/I-5 interchange study | 100 | 100 | 100 | 100 |
| 156 | Seismic retrofit and core segment improvements for the BART system | 20,000 | 20,000 | 8,470 | 6,681 |
| 157 | Route 12; improvements from Route 29 to I-80 through Jamison Canyon | 7,000 | 7,000 | 4,100 | 2,920 |
| 158.1 | Olympic Blvd/Mateo St/Porter St intersection (Segment A, widen Mateo) | 800 | 725 | 725 | 725 |
| 158.2 | Olympic Blvd/Mateo St/Porter St intersection (Segment A, widen Olympic) | 1,200 | 1,275 | 680 | 0 |
| 159 | Route 101; redesign and construction of Steele Lane interchange | 6,000 | 6,000 | 0 | 0 |
| | **Totals ($ in thousands):** | **$4,908,900** | **$3,841,065** | **$1,493,818** | **$1,116,186** |

Project Numbers correspond to numbering in Government Code Section 14556.40

Commission approvals and allocations are through December 2004.

Expenditures through November 30, 2004 - as reported by the Department.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## 2004 State Transportation Improvement Program (STIP)

The state transportation improvement program (STIP) is updated biennially, with each new STIP adding two new years to prior programming commitments. The 2004 STIP, covering the 5-year period through 2008-09, added no new programming capacity, except for Transportation Enhancement (TE) projects. For the most part, it simply rescheduled $5.4 billion in projects programmed in the 2002 STIP, delaying most projects by two years or more. The delays and the lack of new capacity were due primarily to the repeated suspension and borrowing of transportation funds over the last 4 years to backfill for deficits in the General Fund.

This was the first new STIP since the Commission reincorporated federal Transportation Enhancement (TE) funding into the STIP. The 2004 STIP committed $400 million out of a 5-year capacity estimate of $407 million to specific TE projects and county TE reserves.

### STIP Development Process

The California Transportation Commission exercised its option under state law to delay the development of the 2004 STIP because of pending federal legislation that would have a significant impact on the STIP fund estimate. The delay also permitted the Department (Caltrans) and the Commission to take the impacts of the 2003-04 Budget Act (including the suspension of Proposition 42 transfers) fully into account.

Ordinarily, the fund estimate would have been adopted in August 2003, Caltrans and regional proposals would have been submitted in December 2003, and the new STIP would have been adopted by April 1, 2004. With the delay, the fund estimate was adopted in December 2003. STIP proposals, primarily recommendations for the rescheduling of projects, were made through the regional transportation improvement programs (RTIPs) and the Caltrans interregional transportation improvement program (ITIP), which were due to the Commission by April 12, 2004. The Commission subsequently held two public hearings on those recommendations, one on May 12 in Sacramento and the other on June 16 in Los Angeles. The Commission Staff Recommendations were issued on July 15, and the Commission adopted the 2004 STIP on August 5, 2004.

The fund estimate identified no new programming capacity, other than TE, and identified the need to shift $5.422 billion in programming from the 2002 STIP:

**2004 STIP Project Rescheduling Required**
($ millions)

| Fiscal Year | 2002 STIP | 2004 STIP |
|---|---|---|
| | | |
| 2004-05 | $2,825 | $ 153 |
| 2005-06 | 875 | 1,479 |
| 2006-07 | 1,722 | 1,251 |
| 2007-08 | | 1,226 |
| 2008-09 | | 1,312 |
| | | |
| **Total** | **$5,422** | **$5,422** |

The fund estimate also identified annual reprogramming targets for each county and for the interregional share to guide the development of the RTIPs and the ITIP. Although the STIP was adopted to conform to the year-by-year estimate on a statewide basis, the amount programmed in each year for each county varied from the targets, depending on the costs, priorities, and deliverability of individual projects.

Under State law, the STIP consists of two broad programs, the regional program funded with 75% of STIP funding and the interregional program funded from 25%. The 75% regional program is further subdivided by formula into county shares. The county and interregional shares are calculated by discrete four-year periods (ending in 2003-04, 2007-08, 2011-12, etc.), with a surplus or deficit in one period carrying forward to the next. County shares are available solely for projects nominated in the RTIPs. The Caltrans ITIP may nominate projects only for the interregional program. Where Caltrans and a regional agency agree, a project may be jointly funded from a county share and from the interregional share.

When the 2002 STIP was adopted, some counties had less than their current share programmed, while others had more. That happened because the three new years added by the 2002 STIP (2004-05 through 2006-07) were the first 3 years of a 4-year share period. The intent at that time was that counties would receive the remainder of their 4-year shares in the 2004 STIP. However, when shares were recalculated in the 2004 fund estimate, the estimated capacity for the full 4-year period ending 2007-08 was far less than the 2002 fund estimate for the 3-year period ending 2006-07. Because the 2004 STIP retained the projects that were already programmed, it continued the share imbalances from the prior STIP. These imbalances will be remedied in the 2006 STIP or whenever new capacity becomes available. The Commission's first priority for new programming will go to counties that had share deficits for the period ending 2007-08.

The reprogramming targets provided in the 2004 fund estimate took each county's share status into account. The county reprogramming targets for 2008-09 were set in proportion to each county's surplus for the share period ending 2007-08. Those with the greatest surpluses were asked to reprogram the most to 2008-09. Counties with share deficits were not asked to reprogram any of their projects to 2008-09. The remaining portion of each county's target amount was spread across the new STIP's first 4 years in proportion to the statewide yearly capacity.

## Cost Escalation and New PPM

After the adoption of the fund estimate, several regional agencies asked the Commission for advice regarding the programming of project escalation (added costs due to project delay) and planning, programming and monitoring (PPM) costs for the two new years being added, 2007-08 and 2008-09. In particular, they asked whether the RTIPs should reduce or delete other projects in order to add these new costs and remain within the fund estimate targets.

By letter of February 13, 2004, Commission staff advised the regions that RTIPs should not add costs for Caltrans construction escalation and that the Commission, working with Caltrans and the regions, would address the issue of escalation separately in the STIP adoption. Although the later project escalation adjustments would ultimately affect future share balances, they did not alter the 2004 fund estimate targets, and the RTIPs did not need to delete or reduce other projects to cover them. The letter further advised that RTIPs could add new programming for PPM in 2007-08 and 2008-09 without deleting or reducing other projects. In effect, this meant that an RTIP could exceed its 5-year target by the amount proposed for PPM in the last two years.

## Transportation Enhancements

The one major opportunity for programming new projects in the 2004 STIP was for projects eligible for federal Transportation Enhancement (TE) funds. Under federal law, a portion of each state's transportation apportionment must be used for TE-eligible projects. Eligible projects include: pedestrian and bicycle facilities; acquisition of scenic easements and scenic or historic sites; landscaping and other scenic beautification; historic preservation; rehabilitation of historic buildings, structures, or facilities; preservation of abandoned railway corridors for conversion to pedestrian or bicycle trails; control and removal of outdoor advertising; archaeological planning and research; mitigation of water pollution due to highway runoff; and transportation museums.

Until this year, federal TE projects were programmed and allocated outside the STIP. After review of the program, the Commission acted in August 2003 to integrate TE funding into the STIP with the aim of promoting more timely and effective use of the funds. The fund estimate provided separate targets for TE-eligible projects, with funding available in all years of the STIP:

**2004 STIP TE Targets**
($ millions)

| Fiscal Yr | 2004 STIP |
|---|---|
| | |
| 2004-05 | $ 127.1 |
| 2005-06 | 67.8 |
| 2006-07 | 69.2 |
| 2007-08 | 70.6 |
| 2008-09 | 72.0 |
| | |
| **Total** | **$ 406.6** |

The target for the first year was as large as it is because it included the federal TE apportionment for 2003-04. The fund estimate provided annual TE targets for each county and for the interregional share to guide development of the RTIPs and ITIP. However, the fund estimate did not limit TE proposals by fiscal year since the Commission expected to be able to program all proposed TE-eligible projects in the years they were proposed for delivery, regardless of the targets. The Commission's STIP guidelines also permitted RTIPs to propose the programming of annual TE reserves, with individual projects to be identified after adoption of the STIP. Under the guidelines, TE reserves programmed in a fiscal year could be allocated directly to projects without first amending the STIP. Programmed TE reserves are subject to the same timely use of funds rules that apply to any STIP project.

**STIP Adoption**

On August 5, 2004, the Commission adopted the 2004 STIP to include the specific projects and schedules laid out in the Commission Staff Recommendations that were issued on July 15. The development of the adopted project lists and schedules were based primarily on:

- the yearly program capacity identified in the fund estimate;
- the annual reprogramming targets identified in the fund estimate for each county and for the interregional program;
- project priorities and scheduling recommended by regional agencies in their regional transportation improvement programs (RTIPs) and by the Department in its interregional transportation improvement program (ITIP);
- the delivery status and deliverability of individual projects; and
- Commission policies as expressed in the STIP guidelines.

By and large, the adopted STIP reflected the recommendations of the RTIPs and ITIP. The following were the most general exceptions:

- Projects jointly funded from regional and interregional programs were programmed in a single fiscal year. In some cases, RTIPs and the ITIP had identified different years.
- Project components (environmental, design, right-of-way, and construction) were programmed in a single fiscal year. In some cases, RTIPs had spread a single component across multiple fiscal years, as on a cash flow basis, apparently to conform strictly to yearly targets. However, that was inconsistent with the fund estimate, which was based on capacity rather than cash flow. It was assumed that a component programmed in one year would draw cash over several years.

Two other major elements to the adoption were the setting aside of a reserve to cover escalation adjustments to be identified later and the setting aside of $65 million in the first year, 2004-05, as match for Grant Anticipation Revenue (GARVEE) bonding.

**Cost Escalation**

As advised by the Commission, the Department and regional agencies did not add costs for Caltrans construction escalation (added costs due to project delay) in the ITIP and RTIPs. As a practical matter, it was not possible to determine project-by-project escalation costs until the project schedule was determined. Leaving out escalation costs also made the process of respreading projects across the fiscal years much simpler. Caltrans did, however, estimate that the total cost of escalation would be about $160 million for the projects being reprogrammed. The Caltrans estimate of added costs by fiscal year is summarized in the following table:

**2004 STIP Estimated Escalation Costs**
($ millions)

| Fiscal Yr | Amount |
|---|---|
| | |
| 2004-05 | $ 3.5 |
| 2005-06 | 32.4 |
| 2006-07 | 32.0 |
| 2007-08 | 27.3 |
| 2008-09 | 65.6 |
| | |
| **Total** | **$ 160.8** |

In the rescheduling of projects against fund estimate capacity, the August STIP adoption set aside a reserve for escalation for each year through 2006-07. It was possible to do this without deleting projects because the sum of proposed RTIP and ITIP projects was about $85 million less than total capacity. The full cost of escalation for 2007-08 and 2008-09 was not fully covered and must be the first draw on new capacity.

In October, the Department presented a notice of a proposed STIP amendment for project cost escalation, identifying total 5-year escalation costs of $180 million. The final STIP amendment, adopted in December, included $78.32 million in increased costs for STIP projects programmed for the first 3 years, through 2006-07. The $102 million cost of escalation for the last 2 years, 2007-08 and 2008-09 will require first consideration for reprogramming in the 2006 STIP. Taking into consideration the reservation set aside in the original STIP adoption and the technical changes and adjustments also adopted in December, the amended 2004 STIP remains within the capacity constraints of the STIP fund estimate.

**STIP Allocations**

The 2004 STIP was adopted to be consistent with the December 2003 fund estimate, as required by law. After excluding costs for Transportation Enhancement (TE) projects and Caltrans project development and right-of-way, the adopted STIP programmed about $82 million for projects in 2004-05 and $1.510 billion for 2005-06.

Actual funding conditions and projections have changed since December 2003, and they will inevitably differ from the assumptions made when the fund estimate was adopted. As a result, the Commission must review transportation cash flow and projections frequently to assess the capacity to approve funding allocations for STIP projects. When funding is less than was assumed in the fund estimate and STIP adoption, the Commission is forced to delay or restrict allocations. On the other hand, when available funding is greater, it may be possible to allocate funding earlier than it is programmed.

The Commission suspended making STIP allocations in June 2003, and that suspension was extended by the August 2004 STIP adoption at least to December 2004. The fund estimate assumed that the STIP would receive $230 million in Proposition 42 transfers for 2004-05 ($184 million directly for the STIP; another $46 million by way of the Public Transportation Account). However, those transfers were once again suspended in connection with 2004-05 Budget. The suspended Proposition 42 funding was once again treated as a loan, scheduled for repayment from the General Fund in 2007-08 by way of the Transportation Deferred Investment Fund (without the constitutional protection of Proposition 42).

For 2004-05, the loss of funds from the Proposition 42 suspension was to have been compensated for by bonding against future state revenues from tribal casino revenue, as authorized by AB 687 (2004). The legislation projected bond proceeds of $1.214 billion in 2004-05, to be used for the early repayment of General Fund loan obligations to transportation. That amount included $732 million for the STIP, of which $457 million would be for a State Highway Account loan repayment due in 2006-07 and $275 million would be for a Public Transportation Account loan repayment scheduled in 2007-08.

Despite the provisions of AB 687, the timing and availability of tribal casino revenue bond proceeds has always been in doubt. From the beginning, the sale of bonds depended on the defeat of two other casino revenue measures on the November 2004 ballot, Propositions 68 and 70. That was one reason for the Commission's suspension of STIP allocations at least to December 2004. Even with the defeat of both propositions, however, the bonds could not be sold because of a lawsuit that was filed in September 2004 challenging the approval of AB 687 as an urgency measure. The plaintiffs claim that the urgency enactment violated a provision of the California Constitution that precludes the granting of a private franchise through urgency legislation, and they claim that the urgency clause precluded them from petitioning for a referendum against the measure. The Treasurer has noted that the lawsuit will need to be resolved before the bonds can be sold.

**GARVEE Bonding**

Under state and federal law, the Commission may select some projects from the STIP and SHOPP to be funded from the proceeds of federal grant anticipation (GARVEE) bonds, secured by future transportation apportionments. The Commission approved the first issuance of GARVEE bonds in January 2004 for $658 million for eight projects from the 2002 STIP:

**GARVEE Bonding Approved, January 2004**
($1,000's)

| PPNO | County | Rte | Project | Bond Proceeds |
|---|---|---|---|---|
| 192P | Los Angeles | 5 | HOV lane, Route 118-Route 14 | $ 23,850 |
| 2333 | Los Angeles | 405 | Auxiliary lane, Route 10-Waterford | 28,452 |
| 2336 | Los Angeles | 405 | Route 405/101 interchange gap closure | 25,411 |
| 121D | Riverside | 215 | HOV, truck climbing lane, El Cerrito-Route 60/92/215 interchange | 240,000 |
| 672 | San Diego | 15 | Managed lanes, middle segment | 197,000 |
| 443N | Santa Clara | 87 | HOV lanes, north segment | 35,805 |
| 443S | Santa Clara | 87 | HOV lanes, south segment | 41,195 |
| 409C | Santa Clara | 880 | Coleman Avenue interchange | 66,000 |
| | | | **TOTAL** | **$657,713** |

GARVEE bond proceeds can cover only the federally-funded portion of a project's cost (generally 88.5%). GARVEE bonding in California is structured so that the state's future federal transportation apportionments cover all debt service payments. This requires that the entire non-federal portion of project cost (including costs of issuance and interest) be provided up front on a pay-as-you-go basis. Because of the severe state cash shortage, the availability of local non-STIP funds to cover the non-federal match was a critical element in approving projects for inclusion in the first bond sale. In its guidelines for the 2004 STIP, however, the Commission determined that the ability of a local agency to contribute non-STIP funds would not be a major criterion in the future selection of projects for GARVEE bonding. The non-federal portion of project costs was to be programmed within current STIP and SHOPP capacity.

In adopting the 2004 STIP, the Commission set aside $65 million in capacity from the first year of the STIP, 2004-05, to provide the non-federal match for projects that might be selected for the GARVEE bond issuance. If all non-federal match were provided through the STIP, the $65 million set-aside would provide sufficient match for about $368 million in bond proceeds, thus funding about $433 million in project capital costs. Additional bonding would be possible to the extent that other sources are available for a project's non-federal match. Other sources could include prior project expenditures, TCRP funding, or local funding.

This $65 million set-aside reduced the programming of projects on a pay-as-you-go basis in 2004-05. It did not, however, reduce programming over the 5-year STIP period. The STIP adoption did not identify particular projects for GARVEE bonding. All projects were scheduled in the STIP on a pay-as-you-go basis, and the $65 million that was deducted from pay-as-you-go capacity in 2004-05 was added back for 2005-06.

The STIP adoption did lay out a schedule for the selection and designation of 2004 STIP projects for funding from the state's second GARVEE issuance:

| | |
|---|---|
| Adopt 2004 STIP, with GARVEE match reservation. | August 5, 2004 |
| Receive comments on candidate projects and appropriateness of bond financing, direct preparation of STIP amendment. | September 15, 2004 |
| Notice and hearing on proposed STIP amendment for GARVEE bonding. | December 9, 2004 |
| Adopt STIP amendment, approve pledge of future receipts, request Treasurer to issue bonds. | January, 2005. |



The Commission guidelines specified that the Commission may select STIP projects proposed in either an RTIP or the ITIP for accelerated construction through GARVEE bonding. It further specified that, with the agreement of the agency proposing the project, the Commission might designate a STIP project for GARVEE bonding even if the original RTIP or ITIP did not specifically propose GARVEE bonding. The guidelines specified that, "The Commission will select projects for GARVEE bonding that are major improvements to corridors and gateways for interregional travel and goods movement, especially projects that promote economic development and projects that are too large to be programmed within current county and interregional shares or the SHOPP on a pay-as-you go basis. The Commission's expectation is that, generally, these will be projects that require bond proceeds exceeding $25 million. Major improvements include projects that increase capacity, reduce travel time, or provide long-life rehabilitation of key bridges or roadways."

A decision on the appropriate level of GARVEE bonding must consider several factors and tradeoffs. The first is the need and opportunity to advance the construction of projects that would otherwise have to wait. This in turn requires consideration of the delivery of projects and the availability of STIP and other funding on a pay-as-you go basis, as well as the availability of other financing mechanisms. Another short-term tradeoff is the one between using current resources to provide the match for bonding major projects and using the same resources to fund more projects sooner on a pay-as-you-go basis. A longer-term tradeoff is the decision to draw on bonding capacity now versus reserving that capacity for later years. This year's first bond sale used about 20% of that capacity for 11-year term bonds.

After hearing reports of project status from Caltrans and other comments on potential GARVEE bonding candidates, the Commission directed that the following projects be included in the December STIP amendment notice of the proposed STIP amendment for GARVEE bonding:

**GARVEE Bonding STIP Amendment, December 2004**
($1,000's)

| | | | | | Nonfederal Match | |
|---|---|---|---|---|---|---|
| **PPNO** | **County** | **Rte** | **Project** | **GARVEE** | **TCRP** | **STIP** |
| 16W | Butte | 149 | 4-lane expressway, Route 70-Route 99 | 70,000 | | 12,500 |
| 261F | Contra Costa | 80 | Westbound HOV lanes, Rte 4-Carquinez Bridge | 16,649 | | 3,287 |
| 1530 | Fresno | 99 | 6-lane freeway, Kingsburg-Selma | 29,880 | 20,000 | |
| 2808A | Los Angeles | 5 | Carmenita Av interchange, right-of-way | 81,494 | 71,000 | |
| 7965B | San Joaquin | 205 | 6-lane freeway, Route 5-11th Street | 67,000 | 25,000 | |
| 789A | Sonoma | 101 | HOV lanes, Route 12-Steele Lane | 41,327 | 6,000 | 2,000 |
| | | | **TOTAL** | **306,350** | **122,000** | **17,787** |

If approved as presented in the notice, the principal amount to be bonded for these six projects would be $306 million. The nonfederal match would come from $18 million in direct STIP funding and another $122 million in TCRP funding authorized for the projects. Because both STIP and TCRP funding in 2004-05 are so dependent on the proceeds of sale of the tribal casino revenue bonds, the Commission decided in December to defer action on GARVEE bonding until the legal issues impeding the sale are resolved.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## 2004 Report on County and Interregional Share Balances

Section 188.10 of the Streets and Highways Code, added by SB 45 (1997), mandates that the California Transportation Commission maintain a record of State Transportation Improvement Program (STIP) county share balances and that it make the balances through the end of each fiscal year available for review by regional agencies not later than August 15 of each year. This year, the Commission issued its seventh annual Report of STIP Balances, County and Interregional Shares.

This year's report was issued August 13, 2004, and included the reprogramming of projects in the 2004 STIP, as adopted on August 5, 2004. The share balances were based on the 2004 STIP fund estimate, adopted in December 2003, including the adjustment of share balances by four-year county share period. Overall, there was no capacity for new programming in the 2004 STIP, except for projects eligible for federal Transportation Enhancement (TE) funds, and the STIP consisted primarily of rescheduling projects from the prior STIP. Most projects were delayed by two years or more.

Under statute, STIP shares are applied by discrete four-year periods, periods ending in 2003-04, 2007-08, 2011-12, etc. The 2004 STIP fund estimate adjusted the share downward for the period ending 2007-08, while providing a new estimate covering the first year of the next period, 2008-09. This year's report of share balances includes both the current cumulative share balances through 2008-09 (the last year of the 2004 STIP) and the share balances for the period ending 2007-08. The primary significance of the latter is that, in the 2006 STIP or whenever there is new funding capacity to program, the Commission will give first priority to projects in those counties that had unprogrammed balances for the period ending 2007-08. These are share balances that the Commission could not program in the 2004 STIP because no new capacity was available.

On the following page is the report's single-page summary of the status of all county shares and the interregional share, as reported at the Commission's September meeting. The full report also includes a summary for each individual county share and the interregional share. For each share, the summary identifies carryover balances from June 30, 2003, any adjustments since July 1, 2003, and a listing of each project that is currently programmed from the share or that has been allocated from the share since July 2003.

# SUMMARY OF STIP SHARE BALANCES
## Including the 2004 STIP Adoption, August 2004
($1,000's)

| County | Share Amount | Share Programmed | Unprogrammed Balance | Balance Advanced |
|---|---|---|---|---|
| Alameda | $ 176,883 | $ 201,719 | $ 0 | $ 24,836 |
| Alpine-Amador-Calaveras | 31,084 | 29,029 | 2,055 | 0 |
| Butte | 49,152 | 35,920 | 13,232 | 0 |
| Colusa | 10,656 | 7,797 | 2,859 | 0 |
| Contra Costa | 91,033 | 76,502 | 14,531 | 0 |
| Del Norte | 2,519 | 1,849 | 670 | 0 |
| El Dorado LTC | 36,892 | 45,830 | 0 | 8,938 |
| Fresno | 62,413 | 118,181 | 0 | 55,768 |
| Glenn | 10,037 | 9,778 | 259 | 0 |
| Humboldt | 53,055 | 36,372 | 16,683 | 0 |
| Imperial | 59,023 | 32,332 | 26,691 | 0 |
| Inyo | 72,487 | 70,019 | 2,468 | 0 |
| Kern | 256,192 | 259,392 | 0 | 3,200 |
| Kings | 30,615 | 28,152 | 2,463 | 0 |
| Lake | 19,984 | 7,058 | 12,926 | 0 |
| Lassen | 25,863 | 21,083 | 4,780 | 0 |
| Los Angeles | 1,115,632 | 1,093,334 | 22,298 | 0 |
| Madera | 17,587 | 9,917 | 7,670 | 0 |
| Marin | 46,552 | 47,614 | 0 | 1,062 |
| Mariposa | 7,584 | 6,193 | 1,391 | 0 |
| Mendocino | 41,448 | 39,146 | 2,302 | 0 |
| Merced | 54,583 | 41,991 | 12,592 | 0 |
| Modoc | 8,231 | 4,765 | 3,466 | 0 |
| Mono | 43,481 | 40,323 | 3,158 | 0 |
| Monterey | 129,158 | 131,832 | 0 | 2,674 |
| Napa | 27,653 | 12,059 | 15,594 | 0 |
| Nevada | 19,064 | 28,133 | 0 | 9,069 |
| Orange | 396,514 | 205,747 | 190,767 | 0 |
| Placer TPA | 30,180 | 109,698 | 0 | 79,518 |
| Plumas | 13,480 | 7,702 | 5,778 | 0 |
| Riverside | 440,118 | 273,375 | 166,743 | 0 |
| Sacramento | 59,709 | 84,392 | 0 | 24,683 |
| San Benito | 16,284 | 14,064 | 2,220 | 0 |
| San Bernardino | 455,726 | 471,286 | 0 | 15,560 |
| San Diego | 328,984 | 378,194 | 0 | 49,210 |
| San Francisco | 52,205 | 68,293 | 0 | 16,088 |
| San Joaquin | 109,326 | 109,679 | 0 | 353 |
| San Luis Obispo | 95,575 | 83,302 | 12,273 | 0 |
| San Mateo | 95,806 | 97,741 | 0 | 1,935 |
| Santa Barbara | 158,686 | 138,627 | 20,059 | 0 |
| Santa Clara | 116,038 | 132,297 | 0 | 16,259 |
| Santa Cruz | 80,971 | 70,429 | 10,542 | 0 |
| Shasta | 36,788 | 36,989 | 0 | 201 |
| Sierra | 5,305 | 1,164 | 4,141 | 0 |
| Siskiyou | 23,853 | 24,234 | 0 | 381 |
| Solano | 52,643 | 53,540 | 0 | 897 |
| Sonoma | 112,143 | 129,794 | 0 | 17,651 |
| Stanislaus | 108,326 | 89,978 | 18,348 | 0 |
| Sutter | 21,985 | 26,213 | 0 | 4,228 |
| Tahoe RPA | 13,420 | 10,169 | 3,251 | 0 |
| Tehama | 18,848 | 16,479 | 2,369 | 0 |
| Trinity | 23,123 | 21,751 | 1,372 | 0 |
| Tulare | 116,642 | 102,115 | 14,527 | 0 |
| Tuolumne | 14,615 | 15,177 | 0 | 562 |
| Ventura | 138,114 | 166,588 | 0 | 28,474 |
| Yolo | 20,797 | 13,599 | 7,198 | 0 |
| Yuba | 15,444 | 14,987 | 457 | 0 |
| **Statewide Regional** | **$5,670,509** | **$5,403,923** | **$628,133** | **$361,547** |
| Interregional | 2,202,532 | 2,362,743 | 0 | 160,211 |
| **TOTAL** | **$7,873,041** | **$7,766,666** | **$628,133** | **$521,758** |



# 2004 ACTIVITY AND ACCOMPLISHMENTS

## 2003-04 Project Delivery

Project delivery (making projects ready to go to construction) was a challenge in 2003-04 for the Department of Transportation (Caltrans) and local agencies because of constrained transportation funds. For the first time in nearly eight years, both capital and support funding for project delivery was reduced from programmed levels. Due to transportation cash flow constraints, funds for right-of-way acquisition for new projects as well as funds for ready construction projects were not available from the Commission.

Caltrans and local agencies did not attain their project delivery goals and commitments for 2003-04, as measured by the Commission in carrying out its mandate for delivery under state law. The Commission regularly tracks delivery for projects programmed and funded from the state transportation iImprovement program (STIP), the State highway operation and protection program (SHOPP), the regional surface transportation program (RSTP), the congestion mitigation and air quality (CMAQ) program. For the STIP, and the SHOPP, the Commission measures delivery in terms of allocations made to projects programmed for each fiscal year. For the RSTP and CMAQ programs, under which federal funds are programmed directly by regional agencies, the measure of delivery is the obligation of the federal funds by a local agency.

Timely use of funds legislation ("use it or lose it"), together with supporting Commission policy, has provided programming and delivery incentives that have contributed to an improvement in the project delivery record in recent years. SB 45 (1997) imposed the first such rule, requiring that STIP projects be allocated on schedule or be deleted from the STIP. The law permits the Commission to grant a one-time extension of an allocation deadline if it finds that circumstances beyond the control of the implementing agency have delayed delivery. AB 1012 (1999) required that regional agencies obligate RSTP and CMAQ apportionments for projects within three years.

With these incentives, Caltrans and local agencies have dedicated considerable effort toward improving project delivery. Caltrans is committed to a goal of delivering 90% of the projects programmed each year and 100% of the dollar amount programmed. The 100% dollar commitment can be achieved by delivering some projects in advance of the year they are programmed.

In December 2002, when the Department reported projected cash deficits, the Commission immediately suspended making STIP and SHOPP allocations except for safety and emergency projects. After the Commission had fashioned an allocation plan to ration available funding, allocations were resumed for some projects from April through June 2003. With the beginning of the 2003-04 fiscal year, the suspension was renewed and the Commission made available $800 million in allocation capacity for SHOPP and Minor program projects and $173.5 million for right-of-way activities, which left no allocation capacity for STIP projects.

Even in the absence of STIP allocation capacity, the Commission upheld the timely-use-of-funds rules, requiring that agencies either deliver their 2003-04 programmed projects or request extensions to avoid having the projects deleted from the STIP. At its October 2003 meeting, the Commission revisited its allocation extension policy and began granting extensions based on the lack of state funding. The Commission also agreed that delivered projects placed on the pending allocation list and projects with extensions expiring after December 2003 (the adoption of the 2004 STIP fund estimate) would be reprogrammed to later fiscal years during the 2004 STIP programming cycle.

Caltrans and the local agencies undertook a Herculean effort to deliver their programmed 2003-04 projects. Unfortunately, the fiscal constraints imposed by the state's cash flow crisis did not allow for the same high delivery achievement as in past years. Local agencies and the Commission advanced projects to construction through the use of AB 3090 agreements (local agencies use their own funds now and are paid back in cash or other projects from the STIP in future years) and GARVEE bonds. Even with the aggressive use of AB 3090s and GARVEE bonding, the Commission had $800 million in projects on its pending allocation list by June 2004 due to the lack of funding.

The STIP and SHOPP delivery charts differ slightly from those in prior reports. In past years, delivery was equated to receiving a funding allocation from the Commission. For 2003-04, a project is also counted as delivered if its was placed by the Commission on the pending allocation list due to the lack of STIP allocation capacity.

**<u>Caltrans STIP Project Delivery</u>**

For 2003-04, Caltrans committed to deliver 58 STIP projects valued at $1.427 billion. In dollar value, this was a $0.968 billion increase from 2002-03 when Caltrans committed to deliver 39 projects valued at $459 million.

Caltrans delivered 27 of the 58 projects scheduled for 2003-04, a 47% project delivery rate, and "advance delivered" two projects valued at $267 million for a total construction value of $1.073 billion and a net overall dollar delivery rate of 75% for the fiscal year. Caltrans also delivered nine projects valued at $103 million in 2003-04 that were originally to be delivered in prior fiscal years but received delivery extensions from the Commission.

The Commission was unable to allocate construction funds to 20 of the delivered projects and placed them on a pending allocation list (construction value $496.2 million). The other 18 projects (worth $679.8 million) went to construction through the use of GARVEE bonds and AB 3090 arrangements. Caltrans requested, and the Commission granted, extensions to the remaining 31 projects valued at $621 million that were not delivered in the fiscal year. The major reason cited for the 32 undelivered projects was the shortage of funds allocated to acquire needed right-of-way.

The following chart summarizes the Caltrans 2003-04 STIP delivery commitments and compares it against the prior two years:

**Caltrans STIP Delivery**
($ in millions)

| | 2001-02 | | 2002-03 | | 2003-04 | |
|---|---|---|---|---|---|---|
| | Dollars | Projects | Dollars | Projects | Dollars | Projects |
| Programmed | $759.0 | 49 | $459.1 | 39 | $1,427.0 | 58 |
| Extensions | -83.1 | -6 | -55.8 | -4 | -621.0 | -31 |
| Lapsed | -0.9 | -1 | -1.4 | -1 | 0 | 0 |
| Delivered as programmed | $675.0 | 42 | $401.9 | 34 | $806.0 | 27 |
| Percent of projects | | 86% | | 87% | | 47% |
| Advanced | 78.6 | 10 | 85.4 | 6 | 267.0 | 2 |
| Delivered, with advances | $753.6 | 52 | $487.3 | 40 | $1,073.0 | 29 |
| Percent of dollars | 99% | | 106% | | 75% | |
| Prior-year extensions delivered | 59.7 | 7 | 0.0 | 0 | 103.0 | 9 |
| Total delivered | $813.3 | 59 | $487.3 | 40 | $1,176.0 | 38 |
| Funded by allocation | | | | | 0.0 | 0 |
| Funded through AB 3090 | | | | | 165.1 | 13 |
| Funded through GARVEE | | | | | 514.7 | 5 |
| Placed on pending list, not funded | | | | | $ 496.2 | 20 |

With the adoption of the 2004 STIP in August, the Commission reprogrammed all the undelivered projects with extensions and all the pending list projects to later fiscal years, consistent with fund estimate capacity. For 2004-05, the 2004 STIP commits Caltrans to deliver only 14 projects at $57.2 million. It now appears, however, that cash constraints may preclude funding even that amount.

## Local STIP Project Delivery

For 2003-04, local agencies committed to deliver 444 local streets and roads and mass transit STIP projects with $317 million in STIP funding. In dollar value, this was a decrease of nearly $100 million from 2002-03, when local agencies committed to deliver 456 projects worth $410 million.

Through June 30, 2004, local agencies delivered 320 of the 444 projects scheduled for 2003-04 at $222 million for an overall dollar delivery rate of 70%. Local agencies requested and received allocation extensions for another 91 projects for $86 million, 20% of the STIP project commitment. On the other hand, local agencies lapsed 33 projects programmed at $9 million, or 7% of the STIP project commitment. The lapsed $9 million reverted to county share balances in the next STIP share period, and was programmed in the 2004 STIP.

The Commission was unable to allocate funds to 257 of the delivered projects and placed them on a pending allocation list (allocation value $122.3 million). The other 39 projects (worth $3.4 million) were planning programming and monitoring (PPM) activities that the Commission allocated at its February 2004 meeting. This was the only allocation of STIP funds that the Commission approved in 2003-04. Some local projects went to construction through the use of GARVEE bonds and AB 3090 arrangements.

The following chart summarizes the local 2003-04 STIP delivery commitment and compares it against the prior two years:

**Local STIP Delivery**
($ in millions)

| | 2001-02 | | 2002-03 | | 2003-04 | |
|---|---|---|---|---|---|---|
| | Dollars | Projects | Dollars | Projects | Dollars | Projects |
| Programmed | $502.8 | 562 | $409.9 | 456 | $316.5 | 444 |
| Extensions | -88.1 | -68 | -36.6 | -45 | -86.1 | -91 |
| Lapsed | -14.6 | -41 | -11.4 | -35 | -8.8 | -33 |
| Delivered as programmed | $400.1 | 453 | $361.9 | 376 | $221.6 | 320 |
| Percent of projects | | 81% | | 82% | | 72% |
| Advanced | 39.6 | 33 | 104.8 | 57 | | |
| Delivered, with advances | $439.7 | 486 | $466.7 | 433 | $221.6 | 320 |
| Percent of dollars | 87% | | 113.9% | | 70% | |
| Prior-year extensions delivered | 52.5 | 51 | 50.4 | 53 | | |
| Total delivered | $491.2 | 537 | $517.1 | 486 | $221.6 | 320 |
| Funded by allocation | | | | | 3.4 | 39 |
| Funded through AB 3090 | | | | | 44.7 | 21 |
| Funded through GARVEE | | | | | 51.2 | 3 |
| Placed on pending list, not funded | | | | | $122.3 | 257 |

With the adoption of the 2004 STIP in August, the Commission reprogrammed all the undelivered projects with extensions and all the pending list projects to later fiscal years, consistent with fund estimate capacity. For 2004-05, local agencies are scheduled to deliver only 157 projects at $120.6 million. It now appears, however, that cash constraints may preclude funding even that amount.

## Caltrans SHOPP Project Delivery

For 2003-04, Caltrans committed to deliver 238 SHOPP projects worth $847 million. Caltrans also amended into 2003-04 and delivered an additional 22 projects worth $118 million. Caltrans delivered 194 projects worth $782 million for an overall 75% project delivery rate for the SHOPP. The undelivered 66 SHOPP projects (worth $183 million) were projects not included in the Commission's 2003-04 SHOPP allocation plan or projects where Caltrans was not able to secure needed right of way due to constrained funding. Because of the State Highway Account cash flow problem, the Commission was unable to allocate funding to 25 of the 194 Caltrans delivered SHOPP projects in 2003-04. The Commission placed the 25 delivered projects worth $100 million on the pending allocation list. It is fair to conclude that Caltrans achieved all the SHOPP delivery that was possible in 2003-04, given funding constraint imposed by the 2003-04 SHOPP allocation plan.

The following chart shows how the SHOPP delivery commitment was realized and compares 2003-04 against 2002-03 and 2001-02 delivery:

**Caltrans SHOPP Delivery**
($ in millions)

| | 2001-02 | | 2002-03 | | 2003-04 | |
|---|---|---|---|---|---|---|
| | Dollars | Projects | Dollars | Projects | Dollars | Projects |
| Programmed | $571 | 140 | $614 | 136 | $847 | 238 |
| Added by amendment | 272 | 40 | 31 | 10 | 118 | 22 |
| Total programmed | $843 | 180 | $645 | 146 | $965 | 260 |
| Delivered | $825 | 175 | $599 | 137 | $782 | 194 |
| Percent of projects | | 97% | | 94% | | 75% |
| Advanced | 51 | 16 | 54 | 12 | 30 | 6 |
| Delivered, w/advances | $876 | 191 | $653 | 149 | $812 | 200 |
| Percent of dollars | 104% | | 101% | | 84% | |
| Total delivered | | | | | $812 | 200 |
| Funded by allocation | | | | | 712 | 175 |
| Placed on pending list | | | | | $100 | 25 |

As with the STIP, cash flow constraints will mean a low delivery rate in 2004-05, based on current programming commitments. Because cash constraints will limit SHOPP project construction allocations in any case, many projects now programmed for 2004-05 will not receive allocations and will slip out of the fiscal year.

In 2003-04 Caltrans was very aggressive in managing the SHOPP and between the SHOPP program and the Minor program fully utilized the entire $800 million provided by the Commission for allocations.

There are other types of projects that are not included in the Commission-approved SHOPP, but represent a delivery effort by Caltrans and, for record keeping purposes, are kept under the SHOPP umbrella. These categories of projects include: Minor projects, emergency and seismic retrofit projects allocated by Caltrans under Commission Resolution G-11, and SHOPP-administered TEA projects.

The following table lists 2003-04 delivery for these categories, comparing it against the prior two years:

**Other Caltrans Delivery**
($ in millions)

| | 2001-02 | | 2002-03 | | 2003-04 | |
|---|---|---|---|---|---|---|
| | Dollars | Projects | Dollars | Projects | Dollars | Projects |
| Minor program | $118.1 | 263 | $87.0 | 196 | $109.5 | 235 |
| Emergency | 77.8 | 62 | 73.2 | 93 | 26.0 | 65 |
| Seismic, phase I | 0.7 | 1 | 0.9 | 51 | 3.0 | 3 |
| Seismic, phase II | 33.4 | 10 | 44.6 | 8 | 2.2 | 4 |
| SHOPP TEA | 2.8 | 6 | 33.8 | 18 | 8.4 | 12 |
| Total | $232.8 | 342 | $239.5 | 366 | $149.1 | 319 |

In the Minor program the Commission due to funding constraints was able to allocate only 168 projects worth $79.5 million from the 235 Caltrans delivered projects.

## Caltrans Annual Right-of-Way Allocation

Commission Resolution G-91-1 authorizes Caltrans to sub-allocate funds from the Commission's yearly allocation for the total right-of-way program to individual projects for the acquisition of right-of-way, relocation of utilities, and other necessary related right-of-way activities. Caltrans is also authorized to allot funds for acquisition of hardship and protection parcels when circumstances warrant such acquisitions. At the June 2003 meeting, Caltrans requested $259 million for right-of-way activities based on acquisition needs for 2003-04. The Commission allocated only $150 million, all that was available for right-of-way per the cash flow estimate. While backing away from ongoing right-of-way activities, Caltrans identified an additional $23.5 million in obligations and commitments to property owners that it needed to honor. In December 2003, the Commission augmented the $150 million right-of-way allocation by $23.5 million for a total revised allocation of $173.5 million.

Caltrans spent the entire $173.5 million. Unfortunately, the lion's share of the funds was needed for projects already under construction and only about $8 million was available to acquire right-of-way for new STIP projects.

The Commission allocated $180 million for right-of-way activities for 2004-05 and Caltrans anticipates that only about $31 million will be available for new STIP project acquisitions.

## Caltrans Environmental Document Delivery

Tracking the completion of environmental documents is particularly important in flagging possible delays of future construction projects. This year, Caltrans achieved a 63% delivery rate for STIP final environmental document delivery, far better than the 19% rate of 6 years ago yet short of the 90% goal desired by the Commission. Environmental impact reports and negative declarations make up the bulk of the STIP environmental effort, with an occasional categorical exemption occurring.

The Commission started tracking SHOPP environmental document delivery in 2001-02. This year, Caltrans delivered 78% of its SHOPP final environmental documents. The preponderance of SHOPP environmental documents are categorical exemptions with a good number of negative declarations and an occasional full-blown environmental impact report. The following table summarizes STIP and SHOPP environmental document delivery reported in recent years.

**Caltrans STIP/SHOPP Final Environmental Document Delivery**

| | STIP | | | SHOPP | | |
|---|---|---|---|---|---|---|
| Fiscal Year | Planned | Actual | Rate | Planned | Actual | Rate |
| 1997-98 | 52 | 19 | 36% | | | |
| 1998-99 | 63 | 12 | 19% | | | |
| 1999-00 | 90 | 40 | 44% | | | |
| 2000-01 | 89 | 54 | 61% | | | |
| 2001-02 | 44 | 32 | 73% | 78 | 59 | 76% |
| 2002-03 | 41 | 27 | 66% | 63 | 54 | 86% |
| 2003-04 | 43 | 27 | 63% | 41 | 32 | 78% |

The Commission has focused on environmental document delivery on a year-to-year basis. In 2003-04, the Commission requested that Caltrans begin tracking draft and final environmental documents that "rolled over" from the previous fiscal year, 2002-03. Nineteen (27%) of 70 draft environmental documents planned for completion in 2002-03 were rolled over 2003-04, while 24 (21%) of 112 planned final environmental documents were rolled over. At the end of 2003-04, Caltrans reported that 8 of the draft environmental documents and 7 of the final environmental documents that had been planned for 2002-03 still remained to be completed. The Commission asked that Caltrans continue tracking these delayed environmental documents, explain in the upcoming year why the projects continue to be delayed, and recommend, if appropriate, ways to complete delivery.

At the October 2004 Commission meeting, the Department noted in its 4th quarter Project Delivery Report that the numbers of environmental documents would had been rolled over from 2003-04 to 2004-05. The rolled over environmental documents included:

- 4 out of 5 notices of preparation (STIP).
- 7 out of 9 draft environmental documents (STIP).
- 26 out of 42 draft negative declarations (STIP and SHOPP).
- 3 out of 8 final environmental documents (STIP and SHOPP).
- 15 out of 34 final negative declarations (STIP and SHOPP).
- 9 out of 46 final categorical exemptions (STIP and SHOPP).

The Department reported that the delivery of many of these environmental documents had been delayed because of funding constraints and budget reductions. The Department reported that it was focusing its efforts and resources on delivering those environmental documents that were for projects with funding programmed for construction. Projects not programmed for construction were dropped or given lower priority. The Commission asked the Department to report back on the delayed 2003-04 projects and to identify and explain the extent to which project environmental delays were due to external funding constraints, internal resource constraints, external delays, specific environmental issues, or other reasons.

## <u>Local RSTP and CMAQ Projects</u>

When AB 1012 (1999) first applied "use-it-or-lose it" provisions to the RSTP and CMAQ programs, it created a major incentive for on-time delivery and use of the funds. By October 1999, the regions had accumulated a $1.2 billion backlog of federal apportionments and left unused $854 million in current-year obligational authority (OA). Caltrans had to step in and apply that OA to other work in order to avoid having California lose the unused OA to other states.

AB 1012 specified that RSTP and CMAQ funds not obligated by a region within the first three years of federal eligibility are subject to redirection by the Commission in the fourth year. The Commission extended this rule to the regional TEA program by policy in 2001. Caltrans monitors the obligation of funds apportioned to each region, reports the status of those apportionments to the Commission quarterly, and provides written notice to the regional agencies one year in advance of any apportionment reaching its three-year limit. Any region with an apportionment within one year of the limit is required to develop and implement a plan to obligate its balance before the three-year limit is reached.

- **Fourth Cycle, 2000-01 Federal Apportionment**

  Caltrans released its fourth cycle AB 1012 “use-it-or-lose-it” notices (for apportionments from the 2000-01 federal fiscal year) in December 2002. At that point, the unobligated amount subject to redirection on December 9, 2003 totaled $209 million. At its September 2003 meeting, the Commission agreed to extend the December 9, 2003 deadline for an additional two months to February 2004 because $200 million of local obligational authority was borrowed by Caltrans due to the cash flow problems of the State Highway Account. By the February 2004 deadline, all but $13 million had been obligated. At the January 2004 meeting the Commission redirected $0.83 million in regional TEA funds back to four projects, one each in Amador, Imperial, Plumas and Tulare Counties with a deadline of June 2004. At the February 2004 meeting the Commission redirected $1.1 million in regional TEA funds back to Riverside County with a deadline of June 2004 and $11.1 million in CMAQ funds to San Bernardino County with a deadline of August 2004. The Department reports that all the redirected funds were successfully obligated by their respective deadlines.

- **Fifth Cycle, 2002-03 Federal Apportionment**

  Caltrans released its fifth cycle AB 1012 “use-it-or-lose-it” notices (for apportionments from the 2001-02 federal fiscal year) in December 2003. At that point, the unobligated amount subject to redirection on December 29, 2004 totaled $229 million. Caltrans later reported that the unobligated balance had dropped to $86 million by June 30, 2004. Based on the obligation plans submitted by local agencies, Caltrans anticipated that the $86 million balance would be fully obligated by the December 29, 2004 deadline.

**<u>Other Local Assistance Projects</u>**

Local agencies have dedicated considerable effort toward improving the delivery of local RSTP and CMAQ projects and are also doing well in delivering regional TEA projects, but the success is not as good with respect to the other local assistance project categories, where the AB 1012 “use-it-or-lose-it” provisions are not in force. However, the 2003-04 local assistance appropriation is available for three years. Local assistance projects will continue to charge against this appropriation over the next two years.

The following table shows how the Commission’s 2003-04 local assistance allocations, totaling $965.6 million were used by local agencies in the first year of availability and provides a comparison with the first year of availability for the allocations in the two prior years:

### Use of Local Assistance Allocations, First Year of Availability
($1,000's)

| | 2002-03 | | 2002-03 | | 2003-04 | |
|---|---|---|---|---|---|---|
| **Category** | **Allocation** | **Use** | **Allocation** | **Use** | **Allocation** | **Use** |
| RSTP | $331,100 | $192,378 | $372,945 | $172,519 | $372,945 | $140,218 |
| RSTP match & exchange | | | 46,000 | 42,633 | 46,000 | 46,000 |
| CMAQ | 350,235 | 46,282 | 352,000 | 156,535 | 277,000 | 125,156 |
| FTA transfers | | 310,664 | | 141,919 | | 378,236 |
| Subtotal, RSTP/CMAQ | $681,335 | $549,324 | $770,945 | $513,606 | $695,945 | $689,610 |
| Br. Rehab & Replacement | 98,645 | 43,303 | 98,640 | 75,645 | 98,640 | 70,230 |
| Bridge Seismic Retrofit | 69,300 | 15,450 | 65,490 | 62,229 | 52,490 | 28,887 |
| Bridge Scour | 4,200 | 1,364 | 4,200 | 698 | 4,200 | 0 |
| RR Grade Crossing | | | | | | |
| Protection | 9,394 | 19,632 | 10,000 | 6,272 | 10,000 | 7,749 |
| Maintenance | 4,250 | 4,250 | 4,250 | 4,076 | 4,250 | 4,089 |
| Grade Separations | 7,250 | 0 | 15,000 | 5,000 | 15,000 | 13,873 |
| Hazard Elimination/Safety | 8,304 | 17,384 | 10,000 | 17,794 | 8,000 | 4,666 |
| Safe Routes to School | 20,665 | 0 | 20,000 | 4,042 | 22,000 | 2,539 |
| Regional TEA | 39,760 | 47,951 | 45,000 | 40,529 | 45,000 | 26,181 |
| State Exchange | 3,000 | 2,925 | 6,440 | 3,327 | 6,440 | 1,509 |
| Demo Projects | 0 | 64,774 | 0 | 103,929 | 0 | 74,384 |
| Miscellaneous | 3,200 | 16,701 | 3,625 | 17,372 | 3,625 | 24,477 |
| **Total** | **$995,553** | **$830,442** | **$1,053,590** | **$854,519** | **$965,590** | **$948,194** |

RSTP, CMAQ and regional TEA are three funding categories where "use-it-or-lose-it" is in effect. Other categories appear not to be as aggressively expended. However, allocations have a three-year shelf life and additional delivery against the allocations will continue. For the RSTP and CMAQ programs, allocations applied to transit projects are transferred to the Federal Transit Administration (FTA). Those transfers are displayed separately on these tables and are not included in the "use of allocation" figures for RSTP and CMAQ.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## State Highway Operation and Protection Program (SHOPP)

The Department of Transportation (Caltrans) updates its 10-year rehabilitation plan for State highways and bridges every two years. In the 2002 update to the rehabilitation plan, Caltrans identified a total need of $22.3 billion, or about double the annual funding level provided in the 2002 State Highway Operation and Protection Program (SHOPP). The $22.3 billion in needs was based on identified goals rather than funding constraints.

Faced with evidence of increasing costs to renew and rebuild the aging State highway system and the reality of declining resources for the overall transportation program, the Commission elected during the development of the 2004 State Transportation Improvement Program (STIP) fund estimate to continue funding for the SHOPP at the level assumed in the 2002 STIP fund estimate. This is likely to mean a continuing decline in the state of repair of the highway system and higher maintenance and rehabilitation costs in future years.

Caltrans built the 2004 SHOPP in accordance with the adopted 2004 STIP fund estimate. Unfortunately, the cash flow problems in the state transportation accounts prevent the Commission from allocating funds as scheduled in the SHOPP document. According to the adopted fund estimate and the approved SHOPP, the Commission should be allocating $1.877 billion to SHOPP projects, including the minor program, in 2004-05. However, the Department's cash flow projections, developed after the 2004-05 budget adoption, indicate that the Commission will actually be able to allocate only $320 million. At that level, Caltrans will not be able to maintain even the current inadequate state of the highway system. As a result, the highway system can be expected to deteriorate even faster than was assumed when the 2004 STIP fund estimate was approved. Thus, when the Department issues its next update to the 10-Year State Rehabilitation Plan, due May 1, 2005, the identified need can be expected to be greater than the $22.3 billion identified in the 2002 update.

**Background**

Since 1998, state law has required Caltrans to prepare a biennial 10-year rehabilitation plan (also known as the 10-year SHOPP plan) for all State highways and bridges. The Ten-Year SHOPP Plan is to include specific milestones and quantifiable goals, strategies to control cost and improve efficiency, and a cost estimate for at least the first five years. According to statute, the 10-year SHOPP plan is to be the basis for the annual Caltrans budget request and for the Commission's adoption of the biennial state transportation improvement program (STIP) fund estimate.

With the concurrence of the Commission, Caltrans has expanded the 10-year SHOPP plan to include all elements programmed in the biennial four-year State highway operation and protection program (SHOPP), including traffic safety and traffic operations. The SHOPP is the program of projects designed to maintain the safety and integrity of the State highway system. It is prepared by Caltrans, submitted to the Commission by January 31 of odd-numbered years, and approved by the Commission and submitted to the Governor and Legislature by May 1.

Until last year state law required the 10-year SHOPP plan to be prepared and submitted in even-numbered years. Because that put the SHOPP plan out of sequence with the biennial fund estimate (adopted in August of odd-numbered years), the Department proposed, and the Legislature enacted, a bill changing the submittal to May 1 of odd-numbered years. This means that the 2005 update will be the first update since 2002.

The initial 10-year SHOPP plan, prepared in 1998, identified a total need of $8.6 billion and specific goals and targets in a number of different areas. Probably the most significant ones, from the Commission's perspective, were the goal to reduce deteriorated pavement to 5,500 lane-miles by 2008 and the goal to use longer-life pavement rehabilitation on roadways where the average daily traffic (ADT) exceeds 150,000 or average daily truck volume exceeds 15,000. Caltrans projected that reducing the pavement backlog to 5,500 lane-miles would allow it to maintain and rehabilitate system pavements at the lowest overall annual cost. The identified thresholds for using longer-life pavement would provide high user benefit and the most cost effective rehabilitation strategy.

The 2000 update of the 10-year SHOPP plan identified a total funding need of $11.1 billion. At the same time, Caltrans identified a major increase in funding need for the traffic safety program, due in large part to a 1999 updating of the accident cost factors used to calculate the safety index. At first, Caltrans proposed to fund the increase in traffic safety by reducing funding for the SHOPP's roadway rehabilitation, roadside rehabilitation, and operations categories. By the time the Commission adopted the revised 2000 STIP fund estimate in June 2000, Caltrans and the Commission had agreed to add another $390 million to the 2000 SHOPP's capacity.

For the 2002 STIP fund estimate (adopted in August 2001), Caltrans proposed, and the Commission approved, about $350 million in capacity increases for the five-year period above the levels in the 2000 Ten-Year SHOPP Plan. Those increases included an additional $50 million for the SHOPP minor program, $100 million for office building projects, and $200 million for storm water runoff control.

**2002 Ten-Year SHOPP Plan and 2004 SHOPP**

Caltrans submitted the 2002 update of the 10-year SHOPP plan to the Commission in April 2002 one month after the Commission approved the 2002 SHOPP. Caltrans constructed the 2002 Ten-Year SHOPP Plan differently from prior plans. The focus of the 2002 Ten-Year SHOPP Plan became the identification of needs based on goals with estimates of costs, without a specific funding recommendation.

Caltrans identified $22.3 billion in needs in the 2002 Ten-Year SHOPP Plan, about double the amount of funding called for in the 2000 Ten-Year SHOPP Plan. Caltrans specifically noted the $22.3 billion was not a funding recommendation but an assessment of needs based on identified goals and did not identify any specific funding level for Commission consideration in building the 2004 STIP fund estimate. Due to ensuing transportation cash flow problems, the presentation of the proposed 2004 STIP fund estimate was delayed from July 2003 to October 2003.

In September 2003, during the Commission's consideration of assumptions for the 2004 STIP fund estimate, Caltrans identified four SHOPP funding level options without making a specific recommendation. The first option was a severely constrained SHOPP at approximately $1 billion per year. The second option was a status quo program of approximately $1.2 billion per year. The third option was an increase from status quo at approximately $1.7 billion per year. The fourth option was the total identified 2002 Ten-Year SHOPP Plan need of $22.3 billion that translated to a $2.2 billion per year funding level. These dollar amounts were for capital outlay only; they did not include project support.

The Commission directed Caltrans to prepare the 2004 STIP fund estimate assuming that the SHOPP cash draw levels identified in the 2002 STIP fund estimate (including support costs) would continue through 2006-07 and that the cash draw levels for 2007-08 and 2008-09 would be the same as for 2006-07. In the face of diminished transportation funding, the Commission chose not to decrease the SHOPP funding level but to keep it steady. The Commission acknowledged at the time that the assigned cash flow level for the SHOPP in the 2004 STIP fund estimate was inadequate to meet the rehabilitation needs of the aging State highway system and that Caltrans would not be able to meet its goal to reduce deteriorated pavement to 5,500 lane-miles by 2008. The Commission also directed that 85% of the annual funding be assigned to the safety, bridge preservation, roadway preservation, and mobility categories of the SHOPP. The Commission requested that Caltrans split the approved SHOPP funding among the SHOPP categories during the four-year 2004 SHOPP period. The SHOPP cash flow levels assumed in the 2004 STIP fund estimate translated to a $5.8 billion programming capacity in the four-year 2004 SHOPP program.

On April 8, 2004, Caltrans presented and the Commission approved the 2004 SHOPP. Caltrans built the 2004 SHOPP first by including non-allocated projects carried over from the 2002 SHOPP, programmed primarily in 2004-05 and 2005-06, and then by adding new projects, primarily programmed in 2006-07 and 2007-08. In addition, since the Commission was only able to allocate $800 million worth of SHOPP projects in 2003-04 and the actual amount programmed was over $1 billion the difference was also reprogrammed in the first years of the 2004 SHOPP.

The following chart breaks out the SHOPP categories and compares the programmed funding in the 2004 SHOPP to the identified 2002 Ten-Year SHOPP Plan needs.

**Comparison of 2004 SHOPP to Identified 2002 Ten-Year SHOPP Plan Needs**
($ millions)

| Category | Program | 2004 SHOPP Reservation | Total | 2002 Ten-Year SHOPP Plan |
|---|---|---|---|---|
| Collision Reduction | $ 858 | $ 90 | $ 948 | $ 1,925 |
| Bridge Preservation | 1,095 | 21 | 1,116 | 2,890 |
| Roadway Preservation | 2,407 | 178 | 2,585 | 8,950 |
| Roadside Preservation | 198 | 12 | 210 | 1,592 |
| Mobility | 372 | 81 | 453 | 5,018 |
| Facilities | 187 | 23 | 210 | 883 |
| **Subtotal, Primary SHOPP Categories** | **$5,117** | **$405** | **$5,522** | **$21,258** |
| Storm Water | $ 213 | $ 42 | $ 255 | $ 710 |
| Office Buildings | 31 | 1 | 32 | 289 |
| TE | 8 | 0 | 8 | 22 |
| **Subtotal, Other Categories** | **$ 252** | **$ 43** | **$ 295** | **$ 1,021** |
| **TOTAL** | **$5,369** | **$448** | **$5,817** | **$22,279** |

SHOPP projects are grouped into six categories: collision reduction, bridge preservation, roadway preservation, roadside preservation, mobility and facilities. The 2004 STIP fund estimate provided $5.5 billion over four-years for the six categories. In addition the 2004 STIP fund estimate provided separate line items for storm water mitigation, office buildings and transportation enhancement (TE) projects. These line items added up to $295 million and are managed separately within their own funding amounts.

The 2004 SHOPP includes 596 projects for $5.369 billion spread over four fiscal years and also includes $448 million in reservations. The reservations are based on historical expenditures for emergencies and other unforeseen immediate needs.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## Aeronautics Program

The Aeronautics Program is a biennial three-year program of projects to be funded from the Aeronautics Account, which receives revenues from state general aviation fuel taxes. The projects in the Aeronautics Program provide a part of the local match required to receive federal Airport Improvement Program (AIP) grants and fund capital outlay projects at public-use airports through the Acquisition and Development (A&D) element of the California Aid to Airports Program (CAAP). The CAAP also includes a statutory annual grant program, which provides annual nondiscretionary grants of $10,000 for each general aviation airport in the state. Aeronautics Account funds are applied to Caltrans aeronautics operations and the annual grant program before they are available for the Aeronautics Program adopted by the Commission.

Generally, the Aeronautics Program provides up to 5% of project costs for federal AIP projects, which is one-half of the required nonfederal match. For airport security projects, however, the Program will provide the full 10% nonfederal match. Under the A&D category, the Aeronautics Program provides up to 90% of project costs.

In February 2004, the Commission approved a change in the methodology used to select projects for the A&D category. At the same meeting, the Commission accepted a new element of the California Aviation System Plan (CASP), to identify minimum statewide standards for airport safety, capability, and capacity. In April, the Commission urged the Legislature not to transfer funds from the Aeronautics Account to the General Fund.

In June 2004, the Commission approved the 2004 Aeronautics Program, which contained 35 projects totaling $4.798 million. The Commission continued the severe curtailing of allocations for the Aeronautics Program and restricted allocations to projects for federal AIP local match participation and A&D safety projects.

**Commission's Aviation Responsibilities**

The Commission's primary responsibilities regarding aeronautics include:

- advising and assisting the Legislature and the Secretary of the Business, Transportation and Housing (BT&H) Agency in formulating and evaluating policies and plans for aeronautics programs;
- adopting the California Aviation System Plan (CASP); a comprehensive plan defining state policies and funding priorities for general aviation and commercial airports in California; and
- adopting and allocating funds under the biennial three-year Aeronautics Program, which directs the use of Aeronautics Account funds to:
    - provide a part of the local match required to receive federal AIP grants; and

- fund A&D capital outlay projects for airport rehabilitation, safety and capacity improvements at public-use airports.

**<u>Technical Advisory Committee on Aeronautics (TACA)</u>**

Section 14506.5 of the California Government Code states that the chairman of the California Transportation Commission shall appoint a Technical Advisory Committee on Aeronautics (TACA), after consultation with members of the aviation industry, airport operators, pilots, and other aviation interest groups and experts, as appropriate. TACA gives technical advice to the Commission on the full range of aviation issues to be considered by the Commission. The current membership of TACA includes representatives from airport businesses, aviation divisions of large companies, air cargo companies, pilots and aircraft owners, managers of commercial and rural airports, managers of operations at major commercial airports, metropolitan and local planning organizations, and federal and state aviation agencies.

This statutorily mandated advisory committee lends its expertise to the Commission as it carries out its responsibility in advising the Secretary of the BT&H Agency and the Legislature on state policies and plans for transportation programs in California. During 2004, TACA has continued to focus on a comprehensive review of the role and responsibilities of the Division of Aeronautics of the Department of Transportation (Caltrans) and the funding sources for the various state programs related to aviation. TACA has been working with Caltrans and the BT&H Agency to identify potential roles and policies for the state in developing California's aviation system.

The members of the Technical Advisory Committee on Aeronautics are:

- Hardy Acree, Director, Sacramento County Airport System
- Daniel Burkhart, <u>TACA Chairman</u>, Director of Regional Programs, National Business Aviation Association
- Joe Chan, Commissioner, Alameda County Airport Land Use Commission
- Jack Kemmerly, Director of California Operations, Exceptional Strategies, Inc.
- Chris Kunze, Manager, Long Beach Municipal Airport
- Harry A. Krug, Association of California Airports, Airport Manager, Colusa County Airport
- Mark F. Mispagel, Attorney/Consultant, Law Offices of Mark F. Mispagel
- John Pfeifer, <u>TACA Vice Chairman,</u> Aircraft Owners and Pilots Association (AOPA), California Regional Representative
- Alan Thompson, Senior Planner, Southern California Association of Governments
- Alexander Waters, Vice President of Business Development, KaiserAir, Inc.
- William T. Weil, Jr., Manager, California City Municipal Airport.
- Austin Wiswell, Ex Officio, Chief, Division of Aeronautics, California Department of Transportation
- James Ghielmetti, California Transportation Commission, Commissioner liaison
- Vacant, ex officio, Federal Aviation Administration

**Acquisition and Development Priority Setting Methodology Changed**

TACA recommended that the Commission approve a revised priority setting methodology for selecting Acquisition and Development projects in the Aeronautics Program. The intent of the revised priority ranking methodology is to promote projects that enhance the statewide system plan, meet statewide system needs, prepare for growth, and generate regional benefits.

The annual funding available for Acquisition and Development projects would be split up into three categories: 15% for airport land use compatibility plans; 35% for small airports that are not on the National Plan of Integrated Airports Systems (NPIAS); and 50% for airports that are on the NPIAS. The Commission gave Caltrans flexibility to award a limited number of bonus points per category to projects that Caltrans thought would help meet statewide system needs. The Commission approved the new priority ranking system in February 2004, with the proviso that TACA would review any dispute that might arise about project priorities and make its recommendation to the Commission.

**California Aviation System Plan: System Requirements Element**

As part of the California Aviation System Plan (CASP), Caltrans developed a System Requirements Element that identifies initial statewide minimum infrastructure standards, to help Caltrans target scarce funding resources effectively to achieve local and state priorities. The primary purpose of the Requirements Element is to identify priorities for improving the safety and effectiveness of the state aviation system through infrastructure improvements at general aviation and reliever airports. TACA reviewed the System Requirements Element, which is estimated to cost an estimated $120.28 million to implement.

**2004 Aeronautics Program**

In June 2004, the Commission approved the 2004 Aeronautics Program, which included 35 projects for $4.798 million. Programming in the 2004 Aeronautics Program was extremely constrained because of diversions from the Aeronautics Account to the General Fund in recent years. The Commission was able to add only 2 safety projects to the 3-year Aeronautics Program, while placing 7 new projects on an unprogrammed waiting list.

Throughout 2004, the Commission continued the severe curtailment of allocations for the Aeronautics Program that began in 2002. As a result of diversions from the Aeronautics Account to the General Fund over 2 years, allocations remain restricted to federal AIP match and A&D safety projects. Other projects that are ready to go are placed on a pending list. As of December 2004, there were 18 A&D non-safety projects for $3,084 million on the pending list.

The diversions to the General Fund included $6 million in 2002-03 and another $4.762 million in 2004-05. For 2004-05, budget bills originally proposed to transfer another $745,000, but the Legislature was persuaded before budget adoption to preserve this funding for the state's general aviation and reliever airports.

The Commission remains concerned about the shifting of Aeronautics Account funds to the General Fund. TACA is developing draft legislation for making the Aeronautics Account a stable revenue source. The draft legislation would prohibit any permanent transfer of funds from the Aeronautics Account to the General Fund. All transfers would be treated as loans to be repaid with interest at a specified future date.

Aeronautics Account revenues are essential to California's aeronautics programs, and they are used to fund safety, security, and capacity projects. The 2004 System Requirements Element of the California Aviation System Plan estimates that $120.28 million in airport capacity and safety-related infrastructure is warranted for general aviation and reliever airports. If the Aeronautics Program funding remains at its current annual $5 million level, it would take up to 24 years to fund those priority improvements.

**Match Rate Unchanged**

The Commission is required by statute annually to establish a local matching rate between 10% and 50% that local agencies must meet to receive A&D grants. At its June meeting, upon the advice of the Department and TACA, the Commission retained the 10% A&D local match requirement that has been in effect since 1995. This would continue to ensure that the maximum number of airports participate in the Aeronautics Program and be consistent with the matching rate required for federal AIP grants. Further, a low match rate does not result in a small number of large grants because statute limits CAAP A&D grants to a maximum of $500,000 per airport per year.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## Airspace Advisory Committee

In 2004, the California Transportation Commission's Airspace Advisory Committee provided expert advice regarding the sale of excess properties, helping the state obtain $25.1 million from the sale of excess properties. The Committee reviewed and commented on the Department of Transportation's Airspace and Excess Lands Annual Report.

### Airspace Advisory Committee

In the early and mid-1980's the real estate development issues requiring action by the Commission were becoming increasingly more sophisticated. As a result, in 1986, the Commission created the Airspace Advisory Committee to serve in an advisory role to the Commission by reviewing proposed airspace (real estate) development leases and joint development. In October 1994, the Commission also directed the Airspace Advisory Committee to review and comment on the Department's excess land activities. In July 1997, it directed the Committee to review and comment on the Department's newly developed telecommunications program.

The primary objective of the Committee is to assist in maximizing state income from leasing and managing Caltrans properties, as a disinterested third party panel of experts. The eight members, listed below, are all from the private sector with a wide range of expertise in finance and property development and management. All Committee members are volunteers and receive only travel expenses for their time and effort. The expertise of the Committee has proven to be valuable to the Department and the Commission. The members include:

- Nina Gruen, Chair, Gruen Gruen + Associates, San Francisco
- William J. Hauf, Vice-Chair, William J. Hauf Company, San Diego
- Wylie Grieg, RREEF Management Company, San Francisco
- Peter Inman, Inman & Associates, Irvine
- Walter Mosher, Jr., Ph.D., Precision Dynamics Corporation, San Fernando
- George E. Moss, Moss Group, Encino
- Jack Nagle, Goldfarb & Lipman, Oakland
- Roslyn B. Payne, Jackson Street Partners Ltd., San Francisco

### Airspace Program, 2003-04

The Department reported that, at the end of June 2004, it had 568 occupied airspace sites throughout the state, including 131 wireless communication sites. Possessory interest taxes, paid by airspace tenants in lieu of property taxes, had increased from $3.9 million to $4.2 million, a 7.7% increase from last year. In addition, the Department reports substantial savings by utilizing airspace sites for the Department's own maintenance stations and equipment yards.

The Department reported the following statewide income and expenses for its Airspace and Telecommunications Licensing Program in 2003-04 and the prior year:

**Airspace and Telecommunications Licensing Program**
**Income and Expenses**

| Category | 2002-03 | 2003-04 |
|---|---|---|
| Airspace lease income | $13,831,857 | $14,465,822 |
| Wireless telecommunications income | 2,446,515 | 3,193,858 |
| **Total income** | **$16,278,372** | **$17,659,680** |
| Program expenses | -1,917,506 | -1,823,014 |
| **Net income** | **$14,360,866** | **$15,836,666** |

In 2002-03, the net income was $14.36 million. According to the Department, the small increase of $1.47 million in 2003-04 was due in part to airspace sites being used for staging and construction purposes of the west approach of the Bay Bridge and the pending transfer of state properties to the City and County of San Francisco as required by SB 978 (Burton, 1999). Wireless telecommunications revenues increased from $1.63 million in 2001-02 to $2.44 million in 2002-03-and then to $3.19 million in 2003-04. The wireless income has grown at a 40% annualized rate. This increase in revenues is due to the Department's stewardship and the advice it gets from the Commission's Airspace Advisory Committee.

## Legislative Recommendation, AB 1874

AB 1874, which would have enacted the Telecommunications Information and Advanced Communications Deployment Act of 2004, included provisions that could have clouded the Department's right to receive compensation for granting access to controlled-access rights-of-way on expressways and highways. The Airspace Advisory Committee was concerned that this would reduce the Department's airspace and wireless income stream and, accordingly, recommended that the Commission request the bill's author to amend it to make clear that the Department could require compensation for the use of controlled-access rights-of-way, as permitted by federal law.

The Commission accepted this recommendation and also sought to amend the bill to permit all eligible applicants to request use of the controlled-access rights-of-way rather than limiting the right-of-way use to specific franchises such as telephone, telegraph or cable television corporations. Competition for the use of the rights-of-way, within reason, could generate more revenues for California to use on its transportation system.

The Governor vetoed AB 1874, stating that the Legislature should work with the Administration in the coming year to develop a comprehensive plan to expand the economic prosperity of the state. The suggested legislation, he said, must be a comprehensive plan that includes methods to accelerate broadband deployment in the best interests of the state, its businesses and its citizens.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## 2004-05 Environmental Enhancement and Mitigation Program

On October 28, 2004, the Commission adopted its 2004-05 Environmental Enhancement and Mitigation (EE&M) Program, including 19 projects totaling $5 million. The annual EE&M Program was first established in 1989 to fund environmental enhancement and mitigation projects directly or indirectly related to transportation projects. EE&M projects must fall within any one of three categories: highway landscape and urban forestry; resource lands; and roadside recreation. Projects funded under this program must provide environmental enhancement and mitigation over and above that otherwise called for under the California Environmental Quality Act (CEQA).

Section 164.56 of the Streets and Highways Code mandates that the Resources Agency evaluate projects submitted for the program and that the California Transportation Commission award grants to fund projects recommended by the Resources Agency. Any local, state or federal agency or nonprofit entity may apply for and receive grants. The agency or entity need not be a transportation or highway-related organization, but it must be able to demonstrate adequate charter or enabling authority to carry out the type of project proposed. Two or more entities may participate in a joint project with one designated as the lead agency. The Resources Agency has adopted specific procedures and project evaluation criteria for assigning quantitative prioritization scores to individual projects. In funding the program, an attempt is made to maintain a 40/60 North/South split between California's 45 northern and 13 southern counties.

Through the thirteen years of the EE&M Program, a total of 528 projects have been programmed at a total cost of $120.4 million. Approximately 39% have been highway landscape and urban forestry projects, 34% resource land projects, and 27% roadside recreation projects.

### <u>2004-05 EE&M Program</u>

For the 2004-05 EE&M program, the Resources Agency evaluated 58 projects with a total cost of over $15.6 million. From this list of projects, the Agency recommended to the Commission 34 projects for funding with a total cost of over $10 million. The Commission programmed 19 of those projects, totaling $5 million--the amount included in the 2004-05 budget for the program. In deciding which projects to program, the Commission considered the Resources Agency’s priority scores, project costs, project deliverability, and the linkage of the enhancement project to a transportation project. The 19 projects programmed for 2004-05 are listed in the following table:

## 2004-05 Environmental Enhancement and Mitigation Program

| APPLICANT | PROJECT | FUNDING |
|---|---|---|
| City of Ripon | Stanislaus River Trail and Beautification | $250,000 |
| Dept of Parks and Recreation | Peace Valley Trail, Sutter Buttes | 220,000 |
| Our City Forest | Trees for Capitol light rail neighborhoods (Sacramento) | 184,200 |
| City of Sacramento | Dry Creek Parkway extension acquisition | 350,000 |
| Dept of Parks and Recreation | Sand Hill Bluff acquisition (Santa Cruz County) | 500,000 |
| City of San Rafael | Dominican/Black Canyon neighborhood landscaping | 115,200 |
| City of Folsom | Humbug-Willow Creek Trail, Lake Natoma Trail | 228,600 |
| Muir Heritage Land Trust | Fernandez Ranch Acquisition, Martinez | 152,000 |
| | **TOTAL, NORTH COUNTIES** | **$2,000,000** |
| City of San Luis Obispo | Ahearn property acquisition | $250,000 |
| Back County Land Trust | Wright’s Field MSCP preserve (Alpine, San Diego Co) | 300,000 |
| City of Pasadena | Arroyo Seco Park restoration and trees | 247,329 |
| City of Los Angeles | Rooted in neighborhoods | $250,000 |
| American Land Conservancy | San Simeon State Park enhancement | $500,000 |
| City of La Mesa | Briercrest Park mitigation | 189,600 |
| Dept of Parks and Recreation | Los Liones recreation and restoration (Pacific Palisades) | 250,000 |
| City of Visalia | Shade Visalia | 209,000 |
| City of Porterville | Tule River, wetlands acquisition | 250,000 |
| North East Trees | San Jose Creek Greenway (Los Angeles County) | 250,000 |
| City of Encinitas | Batiquitos Bluffs, property acquisition | 304,071 |
| | **TOTAL, SOUTH COUNTIES** | **$3,000,000** |

Summarized by project type, this year’s program included:

## 2004-05 EE&M Programmed Projects

| Project Category | Projects | Pct | Grants | Pct |
|---|---|---|---|---|
| Highway Landscape and Urban Forestry | 6 | 32% | $1,255,729 | 32% |
| Resource Lands | 7 | 37% | $1,790,200 | 37% |
| Roadside Recreation | 6 | 32% | $1,954,071 | 32% |
| **Total** | **19** | **100%** | **$5,000,000** | **100%** |

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## Proposition 116 Programs

In 2004, the Commission allocated $1.5 million from the proceeds of Proposition 116, the $1.99 billion initiative bond measure approved in June 1990. As of December 2004, over 14 years later, over $185 million of the original authorization still remains unallocated.

Proposition 116 also enacted the Clean Air and Transportation Improvement Act of 1990, designating the $1.99 billion for specific projects, purposes, and geographic jurisdictions, primarily for passenger rail capital projects. Of this amount, Proposition 116 authorized $73 million for 28 nonurbanized counties without rail projects, apportioned on a per capita basis, for the purchase of paratransit vehicles and other capital facilities for public transportation. The funds authorized under Proposition 116 are made available under a two-step process that is analogous to STIP funding and similar to the process later used for the Traffic Congestion Relief Program. First, the Commission programs the funds for projects eligible under the original authorization, which it does by approving project applications that define a project's scope, schedule, and funding. Then the Commission allocates the funds when the project is ready for funding.

The following table displays the amounts of the original Proposition 116 authorizations that remain unallocated, by county and project:

**STATUS OF PROPOSITION 116 AUTHORIZED FUNDING**

| County | Agency, Project | Original Authorization | Remaining Unallocated |
|---|---|---|---|
| Alpine | Public transportation | $ 51,886 | $ 51,886 |
| Marin | County, rail | 11,000,000 | 11,000,000 |
| Monterey | County, rail | 17,000,000 | 4,180,000 |
| Napa | Public transportation | 5,163,071 | 1,019,915 |
| Orange | City of Irvine, guideway | 125,000,000 | 121,298,778 |
| Plumas | Public transportation | 920,091 | 6,300 |
| Santa Cruz | County, rail | 11,000,000 | 10,700,000 |
| Solano | City of Vallejo, ferry | 10,000,000 | 472,841 |
| Sonoma | County, rail | 17,000,000 | 17,000,000 |
| Statewide | Caltrans, passenger rail | 1,000,000 | 1,000,000 |
| Parks and Rec | Museum of rail technology | 5,000,000 | 5,000,000 |
| **Total** | | **$203,135,048** | **$171,729,720** |

### <u>Potential Reallocation of Funds</u>

Under the terms of Proposition 116, all funds authorized for an agency were to have been obligated or spent by July 1, 2000, unless economically infeasible. For any funds not expended or encumbered by July 1, 2000, the Legislature is permitted to reallocate the authorized funds by statute to another rail project within the same agency's jurisdiction. This has not yet been done, although the Legislature did in 2004 delete the statutory reference to $1 million for a Caltrans project without designating a substitute passenger rail project. After July 1, 2010, the Legislature may reallocate unencumbered funds to another project anywhere in the state. A Legislative reallocation requires a 2/3 vote in each house.

**<u>Status of Individual Authorizations</u>**

The following is a summary of the status of the individual authorizations that remain unallocated as of December 2004:

- **<u>Alpine</u>.** Alpine is one of the 28 nonurban counties with a per capita authorization, and it has not submitted an application for a viable project for its $51,886 share. Under the terms of Proposition 116, the California Transportation Commission may reallocate any portion of a county's per capita authorization not programmed by December 31, 1992, on the basis of a competitive grants program, to any other of the 28 counties. It does not appear that Alpine will be requesting the Proposition 116 funds.
- **<u>Marin</u>.** Proposition 116 authorized $11 million either (1) to the County or a joint powers authority for a rail project along the Santa Rosa to Larkspur rail corridor, or (2) to the County for the purchase of paratransit vehicles and other capital facilities for public transportation. None of this funding has yet been programmed. AB 2224 (2002) created the Sonoma-Marin Area Rail Transit District and authorized it to own, operate, manage, and maintain a passenger rail system within the Counties of Sonoma and Marin. The District is continuing with the implementation of the Sonoma Marin Rail Implementation Plan, first released in 2000 by the former Sonoma Marin Rail Transit Commission. The plan called for a commuter rail operating system, including recommendations for key station sites; service provided at 45-minute intervals at project start-up, which could later be expanded to 30-minute frequencies; and funding from a combination of sources including a transportation sales tax in both counties (expected to be on the ballot in 2006). Over the last year, the project has been further refined to include a 70-mile corridor from Cloverdale in Sonoma County through Marin County to a San Francisco bound ferry terminal. Up to 14 station sites are currently assumed along the corridor, 9 in Sonoma County and 5 in Marin County.
- **<u>Monterey</u>.** Proposition 116 authorized $17 million to the Transportation Agency for Monterey County (TAMC) for extension of Caltrain service or other rail projects within Monterey County. To date, $9.8 million has been programmed and allocated for the Monterey County Branch Line extension to reestablish rail transportation between San Francisco and Monterey, a service that ran from 1880 until 1971. The use of the $9.8 million was for right-of-way acquisition and related right-of-way costs. These activities have been completed. Another $3 million is programmed for the Caltrain extension from Gilroy to Salinas. Of that amount, $0.94 million has been allocated for right-of-way/appraisal activities. TAMC expects to request allocated of the other $2.06 million early in 2005. The remaining $4.18 million is unprogrammed; TAMC expects that it will eventually be programmed for the Caltrain extension.
- **<u>Napa</u>.** Napa is one of the 28 nonurban counties with a per capita authorization. Of the original $5,163,071 authorized, $1,019,915 million remains unallocated. The unallocated funds include:
  - $871,000 programmed for a commuter bike path. Though design is complete, Napa County has not indicated when it expects to request the allocation.

- $146,787 programmed for a maintenance yard. The County expects to request an allocation and award a contract early in 2005.
- $2,128 not yet programmed. The County expects to request programming and allocation early in 2005.

- **Orange.** Proposition 116 authorized $125 million to the City of Irvine for "construction of a guideway demonstration project." Of that amount, $121.3 million remains unprogrammed and unallocated. The City of Irvine and the Orange County Transportation Authority (OCTA) have told the Commission of their intent to apply these funds to Orange County Centerline light rail project. The two agencies are currently negotiating a letter of understanding that would authorize the OCTA to use the Proposition 116 funds for right-of-way acquisition on the Centerline project, which could allow for programming and allocation of the funds as early as 2005-06. That would be contingent upon OCTA receiving a federal earmark for the Centerline as a new start project in the federal reauthorization bill

- **North Coast Railroad Authority.** Proposition 116 authorized $10 million to the North Coast Railroad Authority (NCRA) for the improvement of rail service, including rail freight service and tourist-related services important to the regional economy of Humboldt and Mendocino Counties. At one time, the full amount had been allocated. The present unallocated and unprogrammed balance of $267,171 represents the sum of allocations that were rescinded in 2004: $164,886 for disallowed costs, rescinded in September; $72,285 for work completed with other funds, rescinded in December; and $30,000 for return of the state's share of the proceeds of sale of rail cars originally purchased with Proposition 116 funds, rescinded in December.

- **Plumas.** Plumas is one of the 28 nonurban counties with a per capita authorization. Of the original $920,091 authorized, $6,300 remains neither programmed nor allocated. Plumas County has indicated that it intends to submit an application and allocation request to the Commission to purchase buses. The Proposition 116 funds would be used to provide the match for two other recently awarded grants.

- **Santa Cruz.** Proposition 116 authorized $11 million for intercity rail projects connecting the City of Santa Cruz with the Watsonville Junction or other rail projects within Santa Cruz County "which facilitate recreational, commuter, intercity and intercounty travel." To date, the City of Santa Cruz has been allocated $300,000 for ongoing and new pre-acquisition activities for the Santa Cruz Branch Line recreational rail project, including appraisals. The remaining $10.7 million remains unprogrammed and unallocated. The purchase of the Santa Cruz Branch Line is also programmed in the STIP for $10 million in 2008-09. The Santa Cruz County Regional Transportation Commission expects to purchase the line and start recreational service by 2009-10.

- **Solano.** Proposition 116 authorized $10 million to the City of Vallejo for water-borne ferry vessels and terminal improvements. This entire amount was at one time programmed and allocated. However, through cost savings (the Ferry Demonstration project), and project deletions (Pier 42 project), $472,841 now remains unprogrammed and unallocated. The Ferry Demonstration project allowed the City to purchase the planned ferries and put them into operation with less cost than was anticipated. The Pier 42 project was deleted after several delays because the City could not reach agreement with the Port of San Francisco regarding cost sharing and dockage rights. The City is reviewing ongoing projects, the new permanent maintenance facility in particular, and will report to the Commission its intentions for the programming and expenditure of the remaining funds.

- **Sonoma.** Proposition 116 authorized $17 million either (1) to the County or a joint powers authority for a rail project along the Santa Rosa to Larkspur rail corridor, or (2) to the County for the purchase of paratransit vehicles and other capital facilities for public transportation. None of this funding has yet been programmed. See the discussion of the Sonoma-Marin Area Rail Transit District under Marin County above.

- **Caltrans passenger rail.** Proposition 116 included a $1 million authorization to Caltrans (Public Utilities Code Section 99621) to complete a survey of all rail rights-of-way in the state. In 1993, Caltrans completed this survey using other funds and never applied for the Proposition 116 funding. Chapter 193, Statutes of 2004 (SB 111) deleted Section 99261 and its reference to the survey. However, SB 111 did not reallocate the authorization to another project. Under the terms of Proposition 116, the $1 million remains available, subject to authorization by the Legislature, which may only be "for a state-sponsored rail project" (Section 99684(c)).

- **State Museum.** Proposition 116 authorized $5 million to the Department of Parks and Recreation (DPR) for construction of the California State Museum of Railroad Technology, to be provided "when sufficient funding for the entire project is available." None of this funding has ever been programmed or allocated. The California State Railroad Museum Foundation estimates that the total cost of the museum to be $25 million. DPR has stated that its share of project costs has not increased because acquisition costs, such as right-of-way and buildings, are being donated by the new developer, Millenia Associates. The DPR has submitted its notice of intent for the Proposition 116 funds to the Department of Finance and the Legislature. DPR intends to apply to use the Proposition 116 funds for construction in 2006-07.

**2004 Commission Activity**

In 2004, the Commission programmed $3.421 million in Proposition 116 funding, including $3 million to the TAMC for project development for the Caltrain extension from Gilroy to Salinas and $421,000 to the City of Vallejo for the purchase of a ferry boat. The Commission allocated $1.5 million and reprogrammed $0.5 million for the following projects: City of Vallejo water-borne ferry, and nonurban county pedestrian and bus purchase projects. The Commission also approved one-time extension for project closeout of the $10 million Sacramento Regional Transit light rail extension project. The extension was needed to resolve pending construction claims.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## State Rail Program

State-supported intercity rail passenger service is operated in three corridors:

- The Capitol (Auburn-Sacramento-Oakland-San Jose)
- The Pacific Surfliner (San Luis Obispo-Los Angeles-San Diego), and
- The San Joaquin (Bay Area/Sacramento-Fresno-Bakersfield, with bus connections to Los Angeles).

Caltrans plans and administers state funding for the Pacific Surfliner and San Joaquin services, while the Capitol Corridor Joint Powers Authority (CCJPA) plans and administers the Capitol Corridor. Caltrans is responsible for developing the annual state budget requests for all three services. The National Passenger Rail Corporation (Amtrak) operates the services under contract with Caltrans and the CCJPA. Under the federal 1970 Rail Passenger Service Act (49 USC 24102), only Amtrak has statutory rights to access privately-owned railroads at incremental cost for intercity passenger rail service.

The California High-Speed Rail Authority was created to direct the development and implementation of high-speed rail. The 1996 Act creating the Authority defined high-speed rail as "intercity passenger rail service that utilizes an alignment and technology that make it capable of sustained speeds of 200 miles per hour or greater." The Authority is currently engaged in preparing a program-level environmental impact statement for a 700-mile system. A $9.95 billion bond measure that would provide initial financing for the system is scheduled for the November 2006 ballot.

The State rail program faces the same funding constraints and uncertainties confronting the rest of the State transportation program. Intercity rail projects have been allocated no State Transportation Improvement Program (STIP) funding since May 2003 and no Traffic Congestion Relief Program (TCRP) funding since December 2002. The biennial 5-year STIP programs funding from the State Highway Account (derived from gasoline taxes and weight fees), the Public Transportation Account (derived from sales taxes on diesel and gasoline) and the Transportation Investment Fund (derived from sales tax on gasoline). Under law, at least 2.25% of the STIP is programmed for intercity rail projects proposed by Caltrans. The $4.9 billion TCRP consists of 141 projects designated by the Traffic Congestion Relief Act of 2000, to be funded from General Fund transfers and the Transportation Investment Fund (TIF). The TCRP includes $250.6 million designated for intercity rail projects.

As outlined in earlier chapters of this report, both the STIP and TCRP have suffered as funding has been delayed, suspended, and borrowed over the last 4 years to backfill for deficits in the state General Fund. The prospects for project funding in 2004-05 depend almost entirely on the sale of tribal casino revenue bonds, as authorized this year by AB 687. The sale of those bonds, however, has been delayed by a court challenge. The outlook for future funding will depend primarily on whether or not the Governor and Legislature suspend Proposition 42 TIF transfers again in 2005-06.

Operating subsidies for the state-supported services have been relatively stable, with the state providing about $73 million annually from the Public Transportation Account and Amtrak providing about $11 million annually from federal funds (including $10 million to operate the 30% of Pacific Surfliner service that is not state supported). Threatened federal cutbacks in support for Amtrak are of concern to California primarily because of their implications for capital funding and for Amtrak's valuable operating rights.

**Intercity Rail Delivery and Funding**

During 2003-04, Caltrans delivered 9 intercity rail projects programmed for STIP funding of $37.4 million. The Commission, however, was unable to allocate funding to any of them. All STIP projects were reprogrammed in the 2004 STIP, with funding delayed for most projects by two years or more. The new STIP includes $23.2 million for intercity rail projects in 2004-05 and 2005-06, including 4 construction projects:

- Pocket track and Fig Garden siding, Fresno.
- Tunnel 26 seismic improvements, between Ventura and Los Angeles County.
- Oxnard station parking improvements, Ventura County.
- Del Mar bluffs stabilization, San Diego County.

Of the $84.9 million in approved TCRP intercity rail projects, $36.9 million had been allocated when the Commission suspended all new allocations in December 2002. Since that time, delivery has slowed due to the uncertainty of future TCRP funding.

**Caltrans Ten-Year Rail Plan**

Under statute, the Department is required to prepare a biennial 10-year State Rail Plan. The plan is to be submitted to the Commission by October 1 of each odd-numbered year for advice and consent. The final plan is to be submitted to the Governor, the Legislature, and the Public Utilities Commission by the following March 1. The plan consists of a passenger rail element and a freight rail element.

Caltrans submitted the 2004 State Rail Plan to the Commission for advice and consent in April 2004. The goals of the plan are to provide for rail as an alternative mode of transportation while promoting congestion relief, clean air, fuel efficiency and improved land use. The plan contains standards for meeting its goals and sets priorities for increased revenues, increased capacity, reduced running times, and cost effectiveness. The final plan reflected the Commission's advice, which was to:

- show graphically how the Department is progressing in attaining its goals and standards for providing rail as an alternative mode while promoting congestion relief, clean air, fuel efficiency, and improved land use.

- stress that the rail plan is heavily dependent upon federal funds. Without federal funds, Caltrans would have difficulty delivering the vision that is represented by its 10-year rail plan. Under a fiscally constrained plan option, it was estimated that only $595 million in state funds could reasonably be expected to be available. The unconstrained plan estimated $2.5 billion from federal and state funds for existing routes and another $0.6 billion for proposed routes.

- provide a schedule and chart displaying the cost of locomotive overhauls and rail car rehabilitation. Currently, Caltrans does not have a funding source identified for overhauls and rehabilitation. The Commission advised Caltrans to provide context regarding the number and type of vehicles, the scheduling of overhauls and rehabilitations, and their estimated annual cost.
- show graphically the principal route objectives for the three intercity rail corridors in updates to the 10-year plan, so that future progress can be easily understood.

**California High Speed Rail Authority Nears Decision on Environmental Document**

The California High-Speed Rail Authority is responsible for planning, constructing, and operating a high-speed rail system with trains capable of maximum speeds of at least 200 miles per hour. The Authority is the lead state agency for the environmental impact report (EIR), and the Federal Railroad Administration (FRA) is the lead federal agency for the environmental impact statement (EIS). The Authority has prepared a draft program-level EIR/EIS for a 700-mile high-speed train system serving Sacramento, the San Francisco Bay Area, the Central Valley, Los Angeles, the Inland Empire, Orange County and San Diego.

During its September 2004 meeting, the Authority gave its advisory approval to three key route alignments, pending final analysis of public and local agency comments. The Authority:

- selected the alignment through Palmdale to connect Los Angeles to Bakersfield.
- selected the alignment through Irvine to connect Los Angeles to San Diego via Orange County.
- decided to perform additional studies to guide selection of an alignment connecting the Central Valley to the Bay Area.
- decided to use existing transportation networks to connect high-speed rail to Los Angeles International Airport.

Other key route alignments were to be considered in November, with a formal vote on all alignments to be taken at the Authority's January 2005 meeting. The next step in the environmental process is for the Authority and FRA to prepare a final program-level EIR/EIS that identifies a preferred system alignment with station options and that responds to public comments on the draft EIR/EIS.

**High-Speed Rail Bonding Decision Delayed**

SB 1169, enacted this year as an urgency statute, delayed the submission of a $9.95 billion high-speed rail bond measure from the November 2004 to the November 2006 ballot. Known as the Safe, Reliable High-Speed Passenger Train Bond Act for the 21st Century, the measure would provide $9 billion to be issued in conjunction with any available federal funds to plan and construct a high-speed rail system pursuant to the business plan of the High-Speed Rail Authority. Another $950 million would be available for capital projects on other passenger rail lines to provide connectivity to the high-speed system and for capacity enhancements and safety improvements to those lines. No bonds would be issued before January 1, 2008.

The measure was originally scheduled for the November 2004 ballot by SB 1856 in 2002. The impetus for the delay was state budget deficit and the funding uncertainty that faces the remainder of the state transportation program.

**Amtrak Restructuring**

Amtrak continues to face an uncertain future. In the Amtrak Reform and Accountability Act of 1997, Congress mandated that Amtrak achieve self-sufficiency by the end of 2002 and created the Amtrak Reform Council to review its performance. In February 2002, the Council recommended to Congress that Amtrak be restructured. Many members of Congress support funding Amtrak to preserve a valuable national asset. Other members do not.

For California, the potential loss of federal operating subsidies for Amtrak is of relatively little concern. Currently, California pays about $73 million per year in Amtrak operating costs, as compared with $11 million in federal funding. The California contribution is well over one-half the total contribution of all the states.

Of greater concern is that California receives a fair share of any federal proposal for funding capital improvements. Past Congressional actions have directed the bulk of Amtrak appropriations to the Northeast Corridor. These actions ignore the $1.7 billion in state funds that California has invested in intercity rail capital improvements since the mid-1970's.

Of most concern to California, however, is the federal statute that grants Amtrak operating rights for intercity rail passenger service on private railroads. In any restructuring, these rights should be maintained in the public domain, either through Amtrak, through another federal agency, or through delegation to the states. Without these operating rights, intercity passenger rail service in California could be severely curtailed. Only the route between Los Angeles and San Diego is now in public ownership. If California were to continue service without Amtrak's operating rights, the railroads could require the State either to acquire the right-of-way or to pay significantly more for operating rights than Amtrak now pays.

At the federal level, the issue of Amtrak restructuring remains unresolved. As the Congress takes up the issue again, California should work through its Congressional delegation to ensure that the state's primary interests are protected:

- Most importantly, through the preservation of Amtrak operating rights.
- Through achieving a reasonable share of any federal funding for rail capital improvements, as by recognizing the contribution of state matching funds.

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## 2004-05 Elderly and Disabled Transit Program

In September 2004, the California Transportation Commission adopted the annual state project list for the federal Section 5310 elderly and disabled person transit program, including projects for 101 local agencies at a cost of $14 million.

**Background**

In 1975, Congress established what is now the Section 5310 program to provide financial assistance for non-profit organizations to purchase transit capital equipment to meet the specialized needs of elderly and disabled persons for whom mass transportation services are unavailable, insufficient, or inappropriate. Congress later extended program eligibility to public bodies that certify to the Governor that no non-profit organizations are readily available in their area to provide the specialized service. The program's implementing legislation designated the Governor of each state as the program administrator. In California, the Governor delegated this authority to the Department of Transportation.

In 1996, state legislation (AB 772) assigned the Commission a role in the Section 5310 program. It mandated that the Commission:

- direct the allocation of program funds,
- establish an appeals process for the program, and
- hold at least one public hearing prior to approving each annual program project list.

To implement this mandate, the Commission developed an annual Section 5310 review and approval process in cooperation with regional transportation planning agencies, state and local social service agencies, the California Association for Coordinated Transportation (CalACT) and the Department. The process adopted by the Commission calls for each regional agency to establish project scoring based on objective criteria adopted by the Commission. A State Review Committee then reviews the scoring and creates a statewide priority list using the same criteria. The State Review Committee consists of representatives from the state Departments of Rehabilitation, Developmental Services, Aging, and Transportation, with Commission staff acting as facilitator and coordinator. When the State Review Committee has completed its review, the Commission staff and the Committee hold a staff-level conference with project applicants and regional agencies to hear any appeals based on technical issues related to scoring. After the staff conference and a public hearing, the Commission adopts the annual program project list. The list generally includes projects up to 110% of the funding level anticipated for the upcoming federal fiscal year. The excess is to allow for the use of federal funds saved or turned back from prior year projects. All projects receive 80% federal funding and require a 20% local match. All of the project costs listed include the 20% local match.

**Program Project List for 2004-05**

For 2004-05, the Department received Section 5310 applications for 127 projects with a total cost of $15 million. The Department’s estimate of 2004-05 program capacity is $12.8 million, including $11.2 million in 2004-05 funding and $1.58 million made available by project savings or withdrawals from past year grants. This put the estimated 110% level at $14.1 million (all amounts including the required 20% local match). The actual level of funding available for 2004-05 will depend on this year’s federal appropriation for Section 5310, which is not yet known, and on the level turned back from prior grants.

In accordance with the Commission's adopted procedures, all applications were first scored locally. The State Review Committee subsequently reviewed, and in some cases modified, the regional scores. Where the regional and State Review Committee scores were different, the differences were discussed with the regional agency. These discussions focused on the adopted procedures and whether the procedures had been correctly applied. On August 18, 2004, Commission staff and the State Review Committee also conducted a staff-level conference with the regional agencies and project applicants to hear any appeals based on technical issues that affected the scoring. Corrections were made for four projects, and a statewide-priority list was subsequently assembled based on the re-scoring.

The Commission held its public hearing and approved the priority list on September 15, 2004. The Commission directed the Department to allocate funds to projects on the adopted list down to the level of actual available funding. The approved Section 5310 program project list for 2004-05 would fund 101 agencies for 177 replacement vehicles, 79 service expansion vehicles and 35 supporting equipment projects.

## Section 5310 Statewide Project List
**2004-05**

| AGENCY | COUNTY | AMOUNT |
|---|---|---|
| Alzheimer’s Services of the East Bay | Alameda | $92,000 |
| Coalition for Elders’ Independence | Alameda | $106,000 |
| Fred Finch Children’s Home – Alameda | Alameda | $91,000 |
| Lifelong Medical Care | Alameda | $118,000 |
| Satellite Housing, Inc. | Alameda | $138,000 |
| Work Training Center for the Handicapped, Inc. | Butte | $280,000 |
| Contra Costa Association for Retarded Citizens | Contra Costa | $184,000 |
| East Bay Services to the Developmentally Disabled | Contra Costa | $49,000 |
| Richmond Paratransit Program | Contra Costa | $91,000 |
| The Respite Inn | Contra Costa | $49,000 |
| Del Norte Association for Developmental Services | Del Norte | $49,000 |
| El Dorado County Transit Authority | El Dorado | $328,000 |
| City of Fresno/Fresno Area Express | Fresno | $228,000 |
| Empowerment Institute, Inc. | Fresno | $42,000 |
| Fresno County Economic Opportunities Commission | Fresno | $500,000 |
| United Cerebral Palsy of Central California, Inc. | Fresno | $61,000 |
| Community Cornerstone, Inc. | Humboldt | $50,500 |
| Humboldt Transit Authority | Humboldt | $147,000 |
| Klamath/Trinity Non-Emergency Transportation | Humboldt | $58,700 |
| ARC- Imperial Valley | Imperial | $357,500 |
| Inyo Mono Transit (Inyo Co.) | Inyo | $101,000 |
| The Inyo-Mono Association for the Handicapped, Inc. | Inyo | $57,000 |
| Bakersfield Association for Retarded Citizens, Inc. | Kern | $266,611 |
| Community Support Options | Kern | $229,000 |
| Delano Association for the Developmentally Disabled, Inc. | Kern | $58,500 |
| Desert Area Resources and Training | Kern | $348,000 |
| New Advances for People with Disabilities | Kern | $163,000 |
| North Bakersfield Recreation and Park District (NBRPD) | Kern | $135,000 |
| Kings Rehabilitation Center | Kings | $297,075 |
| Access Services Inc. | Los Angeles | $508,300 |
| Asian Rehabilitation Service, Incorporated | Los Angeles | $98,000 |
| City of La Habra Heights and City of Whittier | Los Angeles | $46,000 |
| East Los Angeles Remarkable Citizens' Association, Inc. - EL ARCA | Los Angeles | $292,500 |
| Golden Acres Adult Day Health Care Center | Los Angeles | $114,000 |
| Logan, Marsh, Neal Care Foundation, Inc. | Los Angeles | $182,950 |
| Mary Lind Foundation | Los Angeles | $61,000 |
| Motion Picture and Television Fund | Los Angeles | $84,000 |
| O.P.I.C.A., Adult Day Care Center | Los Angeles | $42,000 |
| Pomona Valley Transportation Authority | Los Angeles | $252,000 |
| Santa Clarita Transit | Los Angeles | $168,000 |
| The Institute for the Redesign of Learning, dba Almansor Center | Los Angeles | $241,000 |
| Villa Esperanza | Los Angeles | $98,000 |
| The Novato Human Needs Center | Marin | $46,000 |
| Mariposa County Local Transportation Commission | Mariposa | $16,000 |
| Redwood Coast Seniors, Inc. | Mendocino | $51,200 |
| Inyo Mono Transit (Mono Co.) | Mono | $61,000 |
| Monterey - Salinas Transit | Monterey | $138,000 |
| St. Helena Hospital | Napa | $161,000 |
| Golden Rain Foundation of Laguna Woods | Orange | $84,897 |
| More than Shelter for Seniors, Inc. | Orange | $100,000 |
| Vocational Visions | Orange | $130,412 |
| Alliance for Workforce Development, Inc. | Plumas | $122,000 |
| Plumas County Public Health Agency | Plumas | $57,000 |
| Angel View Crippled Children’s Foundation, Inc. | Riverside | $57,000 |
| Friends of Moreno Valley Senior Center, Inc. | Riverside | $49,000 |
| Easter Seal Society of Superior California (Sacramento) | Sacramento | $88,000 |
| Elk Grove Adult Community Training | Sacramento | $98,000 |

| AGENCY | COUNTY | AMOUNT |
|---|---|---|
| Health for All, Inc. | Sacramento | $145,000 |
| Paratransit, Inc. | Sacramento | $507,808 |
| Senior Center of Elk Grove | Sacramento | $42,000 |
| United Cerebral Palsy of Greater Sacramento, Inc. | Sacramento | $366,000 |
| United Christian Centers of the Greater Sacramento Area, Inc. | Sacramento | $46,000 |
| San Benito County Local Transportation Authority | San Benito | $187,500 |
| OMNITRANS | San Bernardino | $506,600 |
| Redlands Community Hospital | San Bernardino | $49,000 |
| Mountain Shadows Support Group (MSSG) | San Diego | $114,000 |
| North County Lifeline, Inc. | San Diego | $423,450 |
| Promising Futures, Inc. | San Diego | $57,000 |
| Redwood Senior Homes and Services | San Diego | $46,000 |
| San Diego Center for the Blind | San Diego | $57,000 |
| Sharp Healthcare Foundation | San Diego | $122,000 |
| St. Madeleine Sophie's Center | San Diego | $107,714 |
| Edgewood Center for Children and Families | San Francisco | $86,000 |
| Jewish Family and Children's Services | San Francisco | $228,000 |
| North and South of Market Adult Day Health Corporation | San Francisco | $57,000 |
| On Lok Senior Health Services | San Francisco | $98,000 |
| ARC - San Joaquin (ACCESS Stockton) | San Joaquin | $46,000 |
| ARC – San Joaquin (Starting Out) | San Joaquin | $49,000 |
| ARC - San Joaquin (Vocational Services) | San Joaquin | $49,000 |
| Easter Seal Society of Superior California (San Joaquin) | San Joaquin | $57,000 |
| Lodi Memorial Hospital | San Joaquin | $49,000 |
| San Joaquin Regional Transit District | San Joaquin | $144,203 |
| United Cerebral Palsy Association of San Luis Obispo County | San Luis Obispo | $208,000 |
| Easy Lift Transportation, Inc. | Santa Barbara | $228,000 |
| Achievekids | Santa Clara | $147,000 |
| Outreach & Escort, Inc. | Santa Clara | $490,000 |
| Pacific Autism Center for Education (PACE) | Santa Clara | $252,500 |
| Self-Help for the Elderly | Santa Clara | $122,000 |
| Camping Unlimited, Inc. | Santa Cruz | $107,000 |
| Community Bridges | Santa Cruz | $40,000 |
| Fred Finch Children's Home – Solano | Solano | $49,000 |
| Becoming Independent | Sonoma | $106,000 |
| Santa Rosa, City of | Sonoma | $184,000 |
| United Com-Serve (dba: The Fountains Skilled Nursing Facility) | Sutter | $50,500 |
| Tehama County Opportunity Center, Inc. (dba North Valley Srv.) | Tehama | $70,966 |
| Golden Age Center | Trinity | $49,000 |
| Porterville Sheltered Workshop | Tulare | $91,700 |
| Sierra Foothill Senior Management, Inc. | Tuolumne | $50,500 |
| Assoc. for Ret. Citizens – Ventura County, Inc. | Ventura | $98,000 |
| Operation W.O.R.K. | Ventura | $91,000 |
| | **TOTAL** | **$14,197,586** |

# 2004 ACTIVITY AND ACCOMPLISHMENTS

## Seismic Safety Retrofit Program

The massive State highway seismic safety retrofit program is nearly complete, with only a few of the most complex and difficult bridges remaining. The phase 1 seismic program, initiated after the 1989 Loma Prieta earthquake, was completed in May 2000. Under the phase 2 program, initiated after the 1994 Northridge earthquake, retrofitting has been completed for 1,137 bridges (including one completed this year), another 10 bridges are under construction, and 8 remain in design. Work on 5 of the 7 state-owned toll bridges that required retrofitting is complete, and work on the Richmond-San Rafael Bridge and the San Francisco-Oakland Bay Bridge (SFOBB) are under construction. Work on the Bay Bridge includes a new east span with 10 construction contracts and retrofitting of the west span and approach with 8 construction contracts. Retrofit of the west span was completed July 2004.

In August 2004, however, the Department of Transportation (Caltrans) reported to the Legislature that the toll bridge seismic retrofit program was now estimated to cost $8.3 billion – about $3.2 billion more than the budget approved in AB 1771 (2001). The sole construction bid received in May for the self-anchored suspension (SAS) bridge portion of the San Francisco-Oakland Bay Bridge (SFOBB) east span replacement structure was so far over budget that no award could be made. The Legislature would need to approve a new funding plan to complete the east span and the remainder of the program. In September, the Department rejected the sole bid and, together with the Business, Transportation and Housing Agency, initiated an reexamination of alternatives for design and construction of the span. In December, the Administration announced its support for replacing the SAS span with an extension of the Skyway Bridge to Yerba Buena Island, citing a potential savings on the order of $300-500 million. Regardless of the alternative chosen, the new east span cannot proceed until the Legislature has approved a new funding plan. The primary sources of existing funding have been bridge tolls, a state general obligation bond issue (Proposition 192), and the State Highway Account, which funds the state transportation improvement program (STIP). As described elsewhere in this report, STIP funding is already at great risk and there has been no funding for new STIP allocations since June 2003.

Meanwhile, progress continues very slowly on the retrofit of local bridges, with slightly more than half of the bridge retrofits completed or under construction. The local agencies responsible for the retrofit work cite state budget reductions as a major reason for this slow progress. With the 2003-04 budget, the state discontinued providing state funds to match federal bridge funds used to retrofit local bridges.

**<u>Background</u>**

The State highway system has over 15,000 miles of maintained roads and over 12,000 bridge structures. Each bridge is inspected at least once every two years, and some bridges are inspected even more frequently. An additional 11,500 bridges are on the local city street and county road network.

The 1989 Loma Prieta earthquake and the 1994 Northridge earthquake exposed the vulnerability of California's bridge structures to earthquake damage and made the seismic retrofitting of the bridges the number one transportation priority. Since the Loma Prieta earthquake, the seismic safety retrofit program has focused on bridges deemed most vulnerable or critical to emergency response capability during a widespread civil disaster. This includes most of the single column support bridges in high priority fault zones and some of the most vulnerable multiple column support bridges. Also included in this group are state-owned toll bridges.

The seismic safety retrofit program has been a major endeavor for Caltrans and the Business, Transportation and Housing Agency. The seismic safety retrofit program is comprised of four parts: phase 1, phase 2, toll bridges and local bridges. The current estimated combined cost to seismically retrofit the state bridges is $10.73 billion: $1.08 billion for phase 1, $1.35 billion for phase 2, and $8.3 billion for toll bridges (including the $3.2 billion toll bridge increase reported by Caltrans in August). Nearly $1 billion more will be required to retrofit local bridges not on the State highway system.

**Phase 1**

Following the 1989 Loma Prieta earthquake, Caltrans identified 1,039 state highway bridges in need of seismic retrofit. By May 2000, all the phase 1 bridges had been seismically retrofitted at a cost of $1.08 billion.

**Phase 2**

After the 1994 Northridge earthquake, Caltrans determined that an additional 1,155 State highway bridges were in need of seismic retrofit based on updated screening criteria. A total of $1.35 billion ($1.21 billion in Proposition 192 bond funds, approved by voters in March 1996 and $140 million in State Highway Account (SHA) and Multi-District Litigation (MDL) funds, expended prior to passage of Proposition 192) was set aside to finance the retrofit of the 1,155 phase 2 bridges.

As of June 30, 2004, of the 1,155 phase 2 bridges 1,137 bridges (98.4%) were seismically retrofitted, 10 more (0.9%) are under construction, and 8 more (0.7%) remained in the design stage. Caltrans reports that it expects to complete most of the remaining phase 2 bridges by mid-2007. Three phase 2 seismic retrofit projects require replacement of existing major bridge structures under heavy traffic conditions (Commodore Schuyler F. Heim Bridge on Route 47 in the City of Long Beach, and the 5th Avenue Bridge and the High Street Bridge on Route 880 in the City of Oakland). Caltrans does not expect to complete the seismic retrofit work on these three bridges until early 2010.

Of the $1.21 billion made available from Proposition 192 for the phase 2 bridges, $1.15 billion had been allocated as of June 30, 2004. The $1.15 billion does not include the $81.2 million allocated for Pooled Money Investment Account (PMIA) loan interest expenses as these costs are offset by the interest earned by the Surplus Money Investment

Fund. If the total cost to finish the phase 2 bridges exceeds the remaining $59.4 million Proposition 192 unallocated balance, Caltrans' strategy is to utilize federal Highway Bridge Replacement and Rehabilitation (HBRR) funds available through the SHOPP to contribute funds to projects where bridge replacement is the most cost-effective long-term retrofit and bridge rehabilitation solution.

Proposition 192 authorized the reimbursement of the State Highway Account with seismic retrofit bond funds for phase 2 seismic retrofit expenditures made during fiscal years 1994-95 and 1995-96 with SHA funds (approximately $103 million). However, federal tax law precludes reimbursement of previously expended funds with tax-exempt bond proceeds. As a result, Caltrans elected to apply Proposition 192 proceeds directly to future State highway rehabilitation projects. Through June 2004, Caltrans had reimbursed approximately $99.8 million of the $103 million from the Proposition 192 bond fund. This $99.8 million is included in the $1.15 billion total for Proposition 192 allocations.

**Toll Bridges**

Seven of the nine state-owned toll bridges required some type of seismic retrofit work (including the Vincent Thomas and San Diego-Coronado Bridges, for which toll collection has been discontinued). By June 2002, work had been completed on 5 of the bridges, the San Mateo-Hayward, the Carquinez Eastbound, the Benicia-Martinez, the Vincent Thomas, and the San Diego-Coronado. Work is underway on the other two bridges, with Caltrans estimating completion of the Richmond-San Rafael Bridge in late 2005, the east span of the SFOBB in 2012 (subject to the Legislature resolving the funding shortfall), and the west span approach in mid 2009. The replacement of the westbound Carquinez Bridge, funded with Regional Measure 1 toll funds, was completed and opened to traffic in November 2003.

The funding plan for the toll bridge seismic retrofit program was originally established by SB 60 (1997) and was updated for cost increases, especially on the SFOBB, by AB 1171 (2001). In August 2004, Caltrans reported that the toll bridge seismic retrofit program again was experiencing a major funding shortfall. The following chart identifies the cost estimates as incorporated in AB 1171 and as updated by Caltrans in August 2004.

## Estimated Costs to Retrofit Toll Bridges

| Bridge | AB 1171 Estimate | Aug 2004 Estimate |
|---|---|---|
| Benicia-Martinez | $190,000,000 | $180,000,000 |
| Carquinez (eastbound*) | 125,000,000 | 115,000,000 |
| Richmond-San Rafael | 665,000,000 | 914,000,000 |
| San Diego-Coronado | 105,000,000 | 105,000,000 |
| San Mateo-Hayward | 190,000,000 | 165,000,000 |
| Vincent Thomas | 62,000,000 | 59,000,000 |
| San Francisco-Oakland Bay Bridge | | |
| West Span & Approach | 700,000,000 | 737,000,000 |
| East Span Replacement | 2,600,000,000 | 5,130,000,000 |
| **Subtotal** | **$4,637,000,000** | **$7,405,000,000** |
| Contingency | 448,000,000 | 900,000,000 |
| **Total** | **$5,085,000,000** | **$8,305,000,000** |

* A replacement bridge for the westbound Carquinez was financed with Regional Measure 1 toll funds.

Caltrans identified four major factors that contributed to the $3.22 billion cost increase:

- September 11, 2001. The 9/11 terrorist attacks led to significant changes in the insurance and bonding markets. Sureties no longer determine risk on historical loss experience, but assess their exposure by considering bond amount, duration and likelihood of full bond forfeiture. This has resulted in a reduced bidder pool and higher bids on large mega projects.
- Materials and labor escalation. Steel, concrete and oil prices have surged during the last year for a variety of reasons, from climbing raw materials costs and strong global demand to a weaker U.S. dollar. In addition, consultant expert and related cost rates to provide design and construction inspection services were assumed at a much lower rate in the AB 1171 estimate than actual Bay Area cost rates experienced over the last three years.
- Industry consolidation. The sheer magnitude of the toll bridge projects coupled with the changes in the insurance and bonding markets, reduced the number of available bidders and resulted in a limited number of joint ventures capable of bidding on these mega projects. In addition, the large number of simultaneous toll bridge construction contracts ongoing in the Bay Area reduced the capacity of contractors to do additional projects or obtain additional marine equipment such as cranes, pile drivers and barges.
- Time. The AB 1171 estimate was based on a May 2007 SFOBB east span completion date. The August 2004 estimate is based on a 2011 east span completion date. Industry requested a more realistic construction time based on final designs. Extended time results in additional cost escalation and increased support costs.

The SFOBB east span replacement project accounts for over 85% of the cost increase, excluding its share of the contingency. There is also a 37% increase in the cost of the Richmond-San Rafael Bridge, but its $249 million increase (8% of the total program increase) seems almost insignificant when compared to the east span cost increase of $2.8 billion.

The following chart breaks out the SFOBB east span replacement contracts and compares the AB 1171 estimate to the August 2004 estimate.

### SFOBB East Span Replacement Comparison

| Contract | AB 1171 Estimate | Aug 2004 Estimate |
|---|---|---|
| Interim Retrofit & Strategy Studies | $ 92,000,000 | $ 84,000,000 |
| "Midden" Archeology Site | 1,000,000 | 1,000,000 |
| Pile demonstration | 9,000,000 | 12,000,000 |
| Skyway | 796,000,000 | 1,293,000,000 |
| SAS "W2" Land Foundation | 26,000,000 | 26,000,000 |
| SAS "E2-T1" Marine Foundations | 102,000,000 | 211,000,000 |
| SAS Bridge Superstructure | 589,000,000 | 1,682,000,000 |
| YBI Electrical Substation & Viaduct | 11,000,000 | 12,000,000 |
| YBI USCG Road Relocation | 3,000,000 | 3,000,000 |
| YBI Transition South Side Detour | 90,000,000 | 92,000,000 |
| YBI Transition Structure | 154,000,000 | 260,000,000 |
| Oakland Touchdown "Geofill" | 9,000,000 | 9,000,000 |
| Oakland Touchdown Structure | 170,000,000 | 262,000,000 |
| Mitigation & Right-of-Way | 42,000,000 | 70,000,000 |
| Water Treatment Management | 0 | 10,000,000 |
| Old Bridge Demolition | 124,000,000 | 225,000,000 |
| Capital Outlay Support | 381,000,000 | 878,000,000 |
| **Total** | **$2,600,000,000** | **$5,130,000,000** |

This revised $5.13 billion estimate for the SFOBB east span replacement project alone exceeds the total funding of $5.08 billion (including contingency) made available by AB 1171 for the whole toll bridge seismic retrofit program.

The following chart identifies the AB 1171 funding plan.

### Toll Bridge Seismic Retrofit Funding (AB 1171)

| Source of Funds | Amount |
|---|---|
| State Highway Account | $1,437,000,000 |
| Proposition 192 Bonds | 790,000,000 |
| Public Transportation Account | 80,000,000 |
| Bay Area Toll Bridges $1 Surcharge | 2,282,000,000 |
| San Diego-Coronado Bridge Account | 33,000,000 |
| Vincent Thomas Bridge Account | 15,000,000 |
| **Total Funds** | **$4,637,000,000** |
| State Highway Account Contingency | 448,000,000 |
| **Total Funds Available** | **$5,085,000,000** |

The figure for the State Highway Account includes $642 million identified in AB 1171 to come from the state's share of federal Highway Bridge Replacement and Rehabilitation (HBRR) program funds.

On September 30, 2004, Caltrans rejected the sole $1.4 billion bid on the self-anchored suspension span and, together with the Business, Transportation, and Housing Agency, initiated an evaluation of six alternatives for proceeding with the construction of the SFOBB main span. On December 8, the Department issued a report of its findings and recommendations, including the advice received from technical agency peer reviews, industry consultations, and environmental resource agency and stakeholder input. The report recommended two options for consideration. The first option would be to readvertise the SAS contract, with certain modifications and enhancements design to encourage more bidding and reduce construction costs. The second alternative would be to extend the Skyway Bridge to Yerba Buena Island, replacing the SAS with a structure similar in type and appearance to the skyway approach from Oakland that is now under construction. The Administration has publicly announced its support for the second option, citing potential cost savings in the range of $300-500 million.

It is evident from the cost tabulations above, however, that the projected $1.093 billion cost increase for construction of the SAS span, as critical as it is, represents less than 34% of the unfunded toll bridge seismic cost increase of $3.22 billion. So any cost savings achieved through either the SAS option or the skyway option will not come close to resolving the larger funding issue for completing the SFOBB and the toll bridge seismic retrofit program.

The Governor and Legislature are now faced with the challenge of reaching agreement on a new financial plan for completing the SFOBB and the toll bridge seismic retrofit program. The last financial plan was built with a combination of toll revenues, state transportation funds, and state general obligation bonds. As described in other chapters of this report, state transportation funds have already been squeezed to the point that no STIP project allocations have been made since mid-2003, and restricted allocations for the SHOPP have meant an increasing backlog of State highway rehabilitation work statewide. A further diversion of state transportation funds without increasing revenues would surely mean the deprogramming of projects now in the STIP projects.

## Local Bridges

In addition to the work necessary on state-owned bridges, Caltrans was charged with the responsibility of identifying the seismic retrofit needs of all non-state publicly owned bridges, except for bridges in Los Angeles County and in the unincorporated areas of Santa Clara County. To date, Caltrans, Los Angeles County and Santa Clara County have identified 1,234 locally owned bridges in need of seismic evaluation. As of June 30, 2004, 269 (22%) of the 1,234 bridges were in the retrofit strategy development stage, 249 (20%) were in the design stage, 132 (11%) were under construction, and 584 (47%) were either completed or were judged not to require seismic retrofitting. The total cost of the local bridge retrofit program is roughly estimated at $983 million. Approximately $441 million has been spent or obligated for local bridges to date, with $542 million estimated to be needed to complete the remainder of the local retrofit work. Because 518 (42%) of the 1,234 bridges are still in the strategy development or design stages, the $542 million estimate is subject to change. It is the responsibility of each public agency bridge owner to secure funding, environmental approvals, and right-of-way clearances, and to administer the construction contract.

The local bridge retrofit program is financed primarily from federal HBRR funds. The state had been providing up to $13 million per year in state local assistance funds as match for the federal HBRR funds. However, that was discontinued last year as a result of reductions approved in the 2003-04 state budget. Local agencies now need to secure the required matching funds from the STIP or local sources. Since July 2003, the moratorium on STIP allocations has made that source unavailable.

In October 2004, the Commission received a report from Caltrans that of the 269 local bridges in the retrofit strategy development stage, 221 bridges belong to the Bay Area

Rapid Transit District (BART). The 221 BART bridges are bridges that go over city streets and county roads. BART also has many other aerial structures and the Trans Bay Tube in need of seismic retrofit work. BART estimates that it needs about $1.3 billion to seismically retrofit all its structures. Voters in Alameda, Contra Costa and San Francisco counties passed a $980 million BART earthquake safety bond measure on the November 2004 ballot. This bond measure gives BART a stable dedicated revenue source to seismically retrofit its structures.

**<u>Status of Proposition 192</u>**

The Seismic Retrofit Bond Act of 1996 (Proposition 192) authorized $2 billion in state general obligation bonds for the seismic retrofit of state-owned highways and bridges. SB 60 (1997) limited the amount of Proposition 192 funds that could be expended for state toll bridge seismic retrofit to $790 million. The other $1.21 billion was directed to the phase 2 seismic retrofit effort.

As of June 30, 2004, the amount of Proposition 192 funds allocated for phase 2 seismic retrofit totaled $1,150.6 million, including $794.0 million for capital outlay and right-of-way, $256.8 million for project support costs, and $99.8 million to reimburse the 1994-95 and 1995-96 seismic project support expenditures made with SHA funds. The $81.2 million allocated for PMIA loan interest expenses that are usually offset by interest earned by the Surplus Money Investment Fund is not included in the $1,150.6 million total. The total amount of Proposition 192 funds allocated for toll bridge seismic retrofit as of June 30, 2004 totals $789.0 million, including $673.5 million for capital outlay and right-of-way, $106.0 million for project support costs, and $9.5 million to reimburse the 1994-95 and 1995-96 seismic project support expenditures made with SHA funds.

The overall total of Proposition 192 funds allocated through June 2004 is $1,939.6 million, excluding the $81.2 million allocated for interest costs, leaving $59.4 million in bond authority available for allocation to phase 2 retrofit projects and only $1.0 million for toll bridge projects.